

# Pensions Advisory Panel

Wednesday 27 September 2023

10.00 am

Ground Floor Meeting Room G01C - 160 Tooley Street, London SE1 2QH

## Membership

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

## Officers

Clive Palfreyman  
Caroline Watson  
Barry Berkengoff

## Staff Representatives

Roger Stocker  
Helen Laker  
Derrick Bennett

## 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

**Althea Loderick**

Chief Executive

Date: 20 September 2023



# Pensions Advisory Panel

Wednesday 27 September 2023  
10.00 am

Ground Floor Meeting Room G01C - 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 (5 MINUTES)</b>	1 - 6
	To agree as correct records, the open minutes of the meetings held on 17 July 2023.	
6.	<b>EQUALITY, DIVERSITY AND INCLUSION UPDATE (10 MINUTES)</b>	7 - 10
7.	<b>ASSET ALLOCATION AND NET ZERO STRATEGY UPDATE - JUNE 2023 (15 MINUTES)</b>	11 - 18

<b>Item No.</b>	<b>Title</b>	<b>Page No.</b>
8.	<b>ADVISERS' UPDATES - QUARTER TO JUNE 2023 (15 MINUTES)</b>	19 - 34
	— DAVID CULLINAN	
	— AON	
9.	<b>CARBON FOOTPRINT UPDATE (10 MINUTES)</b>	35 - 41
10.	<b>LOCAL GOVERNMENT PENSION SCHEME POOLING CONSULTATION (15 MINUTES)</b>	42 - 46
11.	<b>PENSION FUND DRAFT TRAINING POLICY (10 MINUTES)</b>	47 - 65
12.	<b>RESPONSIBLE INVESTMENT POLICY (10 MINUTES)</b>	66 - 76
13.	<b>PENSION SERVICE - ADMINISTRATION FUNCTION UPDATE (10 MINUTES)</b>	77 - 86
14.	<b>UPDATE ON THE LOCAL PENSION BOARD (5 MINUTES)</b>	87 - 90

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

**PART B - CLOSED BUSINESS**

**EXCLUSION OF PRESS AND PUBLIC**

The following motion should be moved, seconded and approved if the sub-committee wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure rules of the Constitution.”

15. **QUARTERLY INVESTMENT UPDATE - AON**

16. **QUARTERLY ACTUARIAL FUNDING UPDATE (5 MINUTES)**

**Item No.**

**Title**

**Page No.**

**17. LOCAL GOVERNMENT PENSION SCHEME POOLING  
CONSULTATION**

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

Date: 20 September 2023



## **Pensions Advisory Panel**

MINUTES of the OPEN section of the Pensions Advisory Panel held on Monday 17 July 2023 at 3.00 pm at Meeting Room 225 - 160 Tooley Street, London SE1 2QH

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Councillor Stephanie Cryan (Chair)  
Councillor Rachel Bentley  
Councillor Emily Hickson  
Clive Palfreyman  
Caroline Watson  
Jack Emery  
Tracy Milner  
Spandan Shah  
Roger Stocker  
Tim Jones  
Geraldine Chadwick  
Alan Wells  
Mike Ellsmore  
Colin Cartwright  
David Cullinan  
Marco Gonzalez  
Helen Laker  
Andrew Weir

### **1. APOLOGIES**

Apologies were received from Barry Berkengoff, the Pensions Manager.

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

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

Everyone introduced themselves.

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

There were none.

**4. DISCLOSURE OF INTERESTS AND DISPENSATIONS**

There were none.

**5. MINUTES**

**RESOLVED:**

That the minutes of the meeting held on 6 March 2023 be agreed as a correct record.

**6. MATTERS ARISING**

There were none.

**7. CONFLICTS OF INTEREST POLICY**

Geraldine Chadwick, Interim Technical Accountant, Finance and Governance, presented the report.

Alan Wells, Senior Governance Lawyer, was in attendance to answer any questions.

There was a brief discussion.

**RESOLVED:**

That the conflicts of interest policy for the Pensions Advisory Panel (PAP) members and for those officers dealing with matters relating to the Pension Scheme be approved.

**8. ASSET ALLOCATION**

Jack Emery, Divisional Accountant - Pensions and Investments presented the report.

There were no questions on the report.

**RESOLVED:**

That the Fund's asset allocation at 31 March 2023 be noted.

**9. CARBON FOOTPRINT UPDATE**

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 March 2023 be noted.

**10. ADVISERS' UPDATES - QUARTER TO MARCH 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.

**RESOLVED:**

That the quarterly investment updates be noted.

**11. ZERO CARBON INVESTMENT STRATEGY: IMPLEMENTATION PROGRESS UPDATE**

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

There were questions on the report and a discussion.

Caroline Watson advised that the pensions advisory panel would be updated on the on boarding of the £100m Robeco investment at the next meeting.

She also informed the panel that the responsible investment policy would be brought to the next meeting.

**RESOLVED:**

1. That the recent progress in the implementation of the net-zero carbon strategy, as set out in the report, be noted.

2. That the decision, made at the special meeting of 9 March 2023, to appoint Robeco as multi-asset credit manager with a £100m allocation, be ratified.
3. That the decision to invest £30m in the Darwin Leisure Development Fund be ratified.

## **12. UPDATE ON NEWTON PORTFOLIO**

Tracy Milner, Interim Pensions Investments Manager, presented the report.

There were questions on the report and a discussion.

### **RESOLVED:**

That the recent activity to transition the Newton global equity portfolio to progress the implementation of the Fund's net-zero carbon strategy, as set out in the report, be noted.

## **13. UPDATE ON TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES**

Caroline Watson presented the report.

There were questions on the report and a discussion.

### **RESOLVED:**

That the update on the requirements of the Taskforce on Climate-related Financial Disclosures (TCFD) and how the Fund is preparing for this be noted.

## **14. PENSION SERVICES - ADMINISTRATION FUNCTION UPDATE**

In the absence of Barry Berkengoff, the Pensions Manger, Clive Palfreyman, Strategic Director of Finance, presented the report.

There were no questions on the report.

### **RESOLVED:**

That the update on the pensions administration function be noted.



**15. LOCAL PENSION BOARD UPDATE**

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.

At this point, the Chair requested that an item on equality, diversity and inclusion (EDI) be added to the agenda for the next meeting.

**RESOLVED:**

That the update from the local pension board (LPB) meeting of 5 April 2023 be noted.

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

There was a discussion regarding the Chancellor's Mansion House speech with reference to the pooling of funds.

It was noted that there would be a 12 week consultation.

It was agreed that the Chair and the Strategic Director would circulate the response to the consultation to the other members of the panel before it was submitted.

**EXCLUSION OF THE PRESS AND PUBLIC**

The following is a summary of the decisions taken in the closed part of the meeting.

**16. 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 10 for the decision.

**17. ZERO CARBON INVESTMENT STRATEGY: IMPLEMENTATION PROGRESS UPDATE**

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

**18. UPDATE ON NEWTON PORTFOLIO**

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

**19. QUARTERLY ACTUARIAL FUNDING UPDATE**

The voting members of the pensions advisory panel considered the closed information relating to this item.

**RESOLVED:**

That the updated funding position at 31 March 2023 as set out in Appendix 1 of the closed agenda be noted.

The meeting ended at 4.28pm.

**CHAIR:**

**DATED:**

<b>Item No.</b> 6.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Equality, Diversity and Inclusion Update	
<b>From:</b>		Senior Finance Manager, Treasury and Pensions	

## RECOMMENDATIONS

1. The pensions advisory panel is asked to note:
  - a) The requirements of The Pensions Regulator guidance on equality, diversity and inclusion (EDI) as set out in this report.
  - b) The actions being taken to comply with the guidance and incorporate EDI into Fund activities.

## BACKGROUND

2. The Pensions Regulator (TPR) in March 2023 published guidance on equality, diversity and inclusion (EDI) for pension scheme governing bodies and employers. TPR aims for the guidance to be used by pension scheme governing bodies and sponsoring employers to improve the EDI of their scheme's board. TPR has confirmed that while the guidance uses 'trustee' terminology, it applies equally to public service scheme managers, boards and committees/panels.
3. The LGPS Scheme Advisory Board (SAB) published research in January 2023 ([\(\(lgpsboard.org\)\)](https://lgpsboard.org)) on the gender pensions gap in the LGPS showing the significant disparity in outcomes between men and women.
4. In light of the above, there is a need for an increased focus on EDI considerations of the LBS Fund's internal operations and governance, as well as on the external stakeholders it engages with.

## OVERVIEW OF TPR GUIDANCE

5. The guidance highlights the chair's key role in making local pension boards more diverse and inclusive.
6. In addition to this, the guidance also provides suggestions on various EDI-related areas including:
  - i. Having a formal EDI policy
  - ii. EDI-related training plan and performance assessments
  - iii. Enhancing Board diversity
  - iv. Consideration of fixed-term board appointments
  - v. Inclusive culture and communications

- vi. Reasonable adjustments for candidates and trustees with disabilities

## **FORMAL EDI POLICY**

7. TPR's guidance recommends that pension schemes put in place an EDI policy, which has an agreed definition of EDI, EDI aims, and an EDI training and development plan.
8. The EDI policy should also cover how progress will be monitored and measured against the targets established as part of the policy.
9. The EDI Policy should have provisions for regularly monitoring progress and taking corrective actions where required

## **INCLUSIVE COMMUNICATIONS**

10. The guidance recommends that all scheme communications consider the diverse range of backgrounds, needs and vulnerabilities of their members. All communications to members should be checked for bias and to ensure they avoid inclusion of stereotypes.

## **EDI WORK UNDERTAKEN TO DATE**

### **INTERNAL EDI INITIATIVES**

11. Consideration has been given to how EDI can be incorporated into the appointment of members of the LPB and PAP. It is considered practical that progress will be made in ensuring increased equality and diversity across the membership of these groups as vacancies arise.
12. It can be difficult to recruit to some roles, but the Fund has a large diverse membership to draw representatives from and good union support.
13. The LPB agreed a formal appointment process in January 2023. The policy includes reference to a requirement for selection criteria applied in the appointment of scheme member representatives to reflect the Fund's commitment to equality and diversity.

### **EXTERNAL EDI INITIATIVES**

14. In parallel to its core focus on climate and the 2030 net-zero target, the Fund is also evaluating wider Environmental, Social and Governance (ESG) aspects of its investments (as set out in agenda item 12 – responsible investment strategy). One such area is looking at Equality, Diversity & Inclusion (EDI) across the externally appointed investment managers who manage the Fund's investments.
15. We have initiated EDI focused discussions with the fund managers as one of our key external stakeholders. With all the fund managers we work with, we have had initial conversations to understand their approach to EDI internally within their organisation and across their key teams including senior management,

investments and portfolio management teams.

16. Following the initial discussions, as a starting point, we have requested quantitative data on both gender diversity as well as pay equality. Both of these metrics are in line with the recommendation by the World Economic Forum and also form part of most of the other global ESG standards/frameworks.

## **NEXT STEPS**

17. Officers are working, in conjunction with Aon, to develop a formal EDI policy and put frameworks in place to advance its EDI agenda in line with TPR guidance. A draft EDI policy will be tabled at a future PAP meeting for agreement.
18. The Fund will also look at incorporating EDI principles and initiatives as part of its wider day-to-day operations and activities including recruitment, remuneration, training, performance review process, procurement, etc.
19. Over the next few months, we will continue to engage in EDI discussions with our fund managers and collect available data. We will then consolidate and analyse the findings in order to form an action plan to better engage in EDI focused discussions going forward.

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

### **Community Impact Statement**

20. There are no immediate implications arising.

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

21. There are no immediate implications arising.

### **Health Impact Statement**

22. There are no immediate implications arising.

### **Climate Change Implications**

23. There are no immediate implications arising.

### **Resource Implications**

24. There are no immediate implications arising.

### **Legal Implications**

25. There are no immediate implications arising

## Consultation

26. There are no immediate implications arising.

## Financial Implications

27. There are no immediate implications arising.

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
<b>Version</b>	Final	
<b>Dated</b>	12 September 2023	
<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>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	19 September 2023	

<b>Item No.</b> 7.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Asset Allocation and Net Zero Strategy Update – June 2023	
<b>From:</b>		Senior Finance Manager, Treasury and Pensions	

### Recommendations

1. The pensions advisory panel is asked to:
  - a) Note the Fund's asset allocation at 30 June 2023, overall performance and other matters considered by the officers and advisers of the Fund during the quarter and post quarter end.
  - b) Note recent progress in the implementation of the net-zero carbon strategy, as set out in this report.

### Background

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

### Pension Fund Investments – June Quarter 2023

#### Position Statement at 30 June 2023

4. The market value of the Fund increased during the quarter from £2,015.0m to £2,053.6 m, an increase of £38.6m (+1.9%).
5. The value of the major asset classes at 30 June 2023 compared to 31 March 2023 is as follows:

	31 March		30 June	
	£m	%	£m	%
<b>Low carbon passive equities</b>	668,006	33.2	699,239	34.1
<b>Active Emerging Market equities</b>	93,431	4.6	91,762	4.5
<b>Active global equities</b>	262,806	13.0	266,911	13.0
<b>Total Global Equities</b>	1,024,243	50.8	1,057,912	51.5
<b>Total Diversified Growth</b>	141,523	7.0	100,085	4.9
<b>Total Absolute Return Bonds</b>	133,397	6.6	128,956	6.3
<b>Total Index Linked Gilts</b>	152,894	7.6	140,996	6.9
<b>Total Core Property</b>	197,339	9.8	198,690	9.7
<b>Total ESG Priority</b>	324,464	16.1	382,444	18.6
<b>Total Cash &amp; Cash Equivalents</b>	41,155	2.0	44,508	2.2
<b>Total Fund</b>	2,015,015	100.0	2,053,591	100.0

6. The following table shows the breakdown of the market valuation as at 30 June 2023 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
<b>Low carbon passive equity</b>	Blackrock LGIM	352,397 346,842 <b>699,239</b>	17.2 16.9	17.5 17.5	-0.3 -0.6 <b>(-0.9)</b>
<b>Active Emerging Market equity</b>	Comgest	91,762	4.5	5.0	-0.5
<b>Active global equity</b>	Newton	266,911	13.0	10.0	+3.0
<b>Total Global Equity</b>		<b>1,057,912</b>	<b>51.5</b>	<b>50.0</b>	<b>+1.5</b>
<b>Total Diversified Growth</b>	Blackrock	<b>100,085</b>	<b>4.9</b>	<b>0.0</b>	<b>+4.9</b>
<b>Total Absolute Return Bonds</b>	Blackrock	<b>128,956</b>	<b>6.3</b>	<b>0.0</b>	<b>+6.3</b>
<b>Total Multi-Asset Credit</b>	Robeco	<b>0</b>	<b>0.0</b>	<b>10.0</b>	<b>-10.0</b>
<b>Total Index Linked Gilts</b>	Blackrock LGIM	82,048 58,948 <b>140,996</b>	4.0 2.9	5.0 5.0	-1.0 -2.1
<b>Total Core Property</b>	Nuveen	<b>198,690</b>	<b>9.7</b>	<b>14.0</b>	<b>-4.3</b>
<b>Total ESG Priority</b>	See table below (Para 17)	<b>382,444</b>	<b>18.6</b>	<b>16.0</b>	<b>+2.6</b>
<b>Total Cash &amp; Cash Equivalents</b>	LGIM Newton Nuveen	33,207 6,954 4,347	1.6 0.3 0.2	0.0 0.0 0.0	1.6 0.3 1.2



		<b>44,508</b>	<b>2.1</b>		<b>+3.1</b>
<b>Total Fund</b>		<b>2,053,591</b>	<b>100.0</b>		

7. The Fund's Strategic Asset Allocation (SAA) has tolerance, within specific ranges, for deviation from the target allocation for each manager/asset class. All allocations are within the maximum permitted by the SAA. The key overweight positions outside of these tolerance ranges shown above are in Diversified Growth and Absolute Return Bonds (+4.9% and +6.3% respectively). In contrast, the key underweight is in Multi-Asset Credit (-10%).
8. Aside from changes due to market movements, compared to last quarter the main changes in the asset allocation weightings are seen in:
  - a reduction in the overweight to the Diversified Growth Fund (from +7.0 to +4.9) due to a redemption of £30m to fund the new allocation to the Darwin Leisure Development Fund.
  - an increase in the overweight to ESG priority funds from +0.1 to +2.6 compared to the 16% target. This was partly due to the allocation to Darwin Leisure Development Fund mentioned above.
9. Members of PAP will be aware that the decision to introduce the allocation to Multi-Asset Credit (MAC) was made in December 2022. At the special PAP meeting of 9 March 2023 it was agreed to allocate £100m of the MAC allocation to Robeco. Following a detailed legal review and due diligence process, and considering market liquidity, the investment was made on 6 September 2023.
10. Officers and advisers will continue to evaluate opportunities in Multi-Asset Credit with the aim of being fully funded by the end of 2023-2024. The source of funding will be the Absolute Return Bond fund managed by Blackrock.
11. There is also a significant underweight in the core property mandate run by Nuveen (-4.3%, excluding cash) It should be noted, however, that there is a 20% overall target allocation to property, which includes ESG priority allocations to Invesco, M&G, Frogmore, Darwin and Brockton Capital . As at 30 June, the total actual property allocation was 16.6% with another 0.2% held in cash by Nuveen ahead of making new investments.

#### **Fund Manager Activity – listed assets**

12. During the quarter there were no mandates terminated although, as mentioned above, notice was given to Blackrock re: the need to exit the Diversified Growth and Absolute Return Bond funds to finance the allocation to Multi-Asset Credit.
13. As advised at the PAP meeting of 17 July, there were changes to the Newton mandate during the quarter to 30 June. Newton is now using a proprietary Net Zero score and projected emissions pathways to construct a portfolio consisting only of companies it assesses to have the best emission reduction plans.

14. The portfolio “go live” date was 30 April with the total number of stocks reducing from 42 to 40 and the post-transition WACI (Weighted Average Carbon Intensity) reduced by 20.8% on Day 1 (marginally ahead of expectation).
15. On 6 March 2023 the PAP agreed to implement a new cash management framework, which ensures that the Fund has access to sufficiently liquid assets to meet predicted cash flow requirements and the flexibility to meet additional cash flow needs. Also, the cash flow policy seeks to minimise the level of cash balances held to maximise investment returns.
16. During the quarter the operational changes to implement the new cash management framework were implemented. This involved amending the LGIM Investment Management Agreement to permit investment in the LGIM Sterling Liquidity Fund. Allocations were also made to new Money Market Funds run by Northern Trust and Blackrock. These were funded by full redemption of the Blackrock liquidity fund.
17. There were no other changes to the listed asset portfolios during the quarter.

#### **Fund Manager Activity – ESG Priority allocations**

18. The below table breaks down the ESG priority holdings showing the valuation of underlying funds as at 30 June 2023:

Manager	Fund	Market Value £m
Invesco	UK Residential Fund	33.183
M&G	UK Residential Property Fund	43.784
Frogmore	Frogmore Real Estate Fund III	6.574
Brockton	Brockton Capital Fund III	6.837
Glennmont	Glennmont Clean Energy Fund Europe III	28.346
Temporis	Operational Renewable Energy	64.724
	Renewable Energy	30.273
	Impact Strategy	16.709
Blackrock	Global Renewable Power Infrastructure	19.206
Darwin	Bereavement Services Fund	21.764
	Leisure Development Fund	29.496
Blackstone	Strategic Capital Holdings II	46.859
BTG Pactual	Core US Timberland	34.688
<b>TOTAL</b>		<b>382.444</b>

19. It should be noted that a number of the above funds are fully committed (e.g. Darwin funds), whereas others will be drawing down cash to invest over the coming months and years (e.g. Blackstone). Some of the older funds are starting

to return capital which can be considered for reinvestment to ensure that the ESG priority allocation is maintained.

20. During the quarter a £30m commitment was made to the Darwin Leisure Development Fund, which is fully drawn down. An additional commitment of £15m was made to the Invesco UK Residential Property Fund, of which £10m was drawn down with the remainder to be drawn in October. These commitments were funded from cash.

### Investment Performance Results for the Period

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

	Quarter	Year to 30 June	3 Years to 30 June p.a.	10 Years to 30 June p.a.
Fund	2.3	4.1	6.0	8.5
Benchmark <sup>1</sup>	0.4	5.0	6.4	8.9
Relative	+2.0	-0.9	-0.4	-0.4

<sup>1</sup> The benchmark figures are subject to change given outstanding queries with JP Morgan (custodian)

22. The Fund made a return of 2.3% in the quarter, ahead of the benchmark return of 0.4%. The total fund return for the year to the end of June 2023 was 4.1%, which was below the benchmark return of 5.0%. Over 3 years, the Fund returned 6.0% p.a. compared to a benchmark return of 6.4% p.a., a difference of -0.4% p.a. An annualised return of 8.5% over 10 years means that the Fund has exceeded, by some margin, the 2013 actuarial valuation's average discount rate of 5.4%.
23. Further information on the performance of underlying managers will be provided during the adviser update (Item 8).

### Post quarter end events

24. On 6 September a £100m allocation to Robeco's Climate Global credit fund, part of the Fund's new allocation to Multi-Asset Credit, was made. This was funded by full redemption from the Blackrock Dynamic Diversified Growth fund and partial redemption (£12m) from the Blackrock Absolute Return Bond fund.
25. Following consultation with Aon, on 9 August an additional commitment of £6m was made to the Temporis Impact Strategy V – this is to enable the fund manager to commit to an attractive transaction in battery storage (thus diversifying the Fund's holdings).
26. In mid-August the s151 officer agreed to vote in favour of an extension to the fund life of the Nuveen UK Retail Warehouse fund, to 30 June 2024. This was to enable the manager to take more time to sell the remaining assets in the fund when it is likely that valuations will be more favourable. The vote was passed unanimously.

27. Nuveen has recently advised that the 16 Colonial Way (a Watford Industrial Unit) asset has been independently verified as having an EPC A+ rating, which makes it LBS pensions fund's first Net Zero holding in the direct property portfolio.
28. Officers had performance review meetings with Newton (global equity), Comgest (emerging market equity) and Glennmont (renewable infrastructure). An oral update on any matters arising will be given at this PAP meeting.
29. The London CIV announced that Jason Fletcher (the Chief Investment Officer) has decided to leave to pursue new opportunities. He will be leaving at the end of October 2023 and individual investment team heads will report to Dean Bowden, the Chief Executive, until a replacement is found.
30. On 7 September the S151 officer and the Senior Finance Manager, Treasury and Pensions had an introductory meeting with Dean Bowden, the new CEO of the London CIV. An oral update on any matters arising will be given at this PAP meeting.

### **LGPS Pooling Consultation**

31. On 11 July a Government consultation on the future of LGPS pooling was issued. The key areas covered by the consultation are:
  - a. A proposal for funds to transfer all listed assets to their pools by 31 March 2025.
  - b. The potential for the number of pools to be reduced over time if they do not reach scale (c £50bn).
  - c. The potential for pools to play a more active role in underlying funds' investment decisions, including giving advice to funds.
  - d. The need for a training policy to be introduced for committee members.
  - e. Improvements in the consistency of data produced by funds.
  - f. Regulations to be issued that require funds to produce a plan on how they will invest up to 5% of assets in projects that support levelling up in the UK.
  - g. The government's ambition that funds will invest up to 10% in private equity (up from the current target of 5%).
32. Officers have participated in a number of roundtables and events whereby they have had the opportunity to compare notes with other funds, including the London Boroughs. Having considered both cross-fund issues and those specific to LBSPF, a draft consultation response will be shared before submitting a response ahead of the 2 October deadline. Further information can be found in Item 10 on this meeting's agenda.

### **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****Community Impact Statement**

34. There are no immediate implications arising.

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

35. There are no immediate implications arising.

**Health Impact Statement**

36. There are no immediate implications arising.

**Climate Change Implications**

37. There are no immediate implications arising.

**Resource Implications**

38. There are no immediate implications arising.

**Legal Implications**

39. There are no immediate implications arising

**Consultation**

40. There are no immediate implications arising.

**Financial Implications**

41. There are no immediate implications arising.

**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
<b>Version</b>	Final	
<b>Dated</b>	15 September 2023	
<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>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		18 September 2023

<b>Item No.</b> 8.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Advisers' Updates - Quarter to June 2023	
<b>From:</b>		Senior Finance Manager - Treasury and Pensions	

### **Recommendations**

1. The pensions advisory panel is asked to:
  - Note David Cullinan's investment report attached as Appendix 1.
  - Note Aon's quarterly investment dashboard attached as Appendix 2.

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

#### **Community Impact Statement**

1. There are no immediate implications arising.

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

2. There are no immediate implications arising.

#### **Health Impact Statement**

3. There are no immediate implications arising.

#### **Climate Change Implications**

4. There are no immediate implications arising.

#### **Resource Implications**

5. There are no immediate implications arising.

#### **Legal Implications**

6. There are no immediate implications arising

#### **Consultation**

7. There are no immediate implications arising.

## Financial Implications

8. There are no immediate implications arising.

## APPENDICES

Name	Title
Appendix 1	Independent adviser's report – quarter to June 2023
Appendix 2	Aon's quarterly investment dashboard – quarter to June 2023

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Caroline Watson, Senior Finance Manager - Treasury and Pensions	
<b>Version</b>	Final	
<b>Dated</b>	18 September 2023	
<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>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		18 September 2023



## LONDON BOROUGH OF SOUTHWARK - Quarterly Report June 2023

### Executive Summary

- Equity markets were generally positive over the quarter whilst bond markets declined in response to rising interest rates
- The Fund outperformed the benchmark by 0.5% over the quarter
- The Fund fared less well relative to benchmark over the full year due primarily to the performance of our real estate holdings. Whilst the asset performance was disappointing (around -11%) the comparative benchmark was very challenging
- The medium and long-term returns for the Fund are strong, ahead of both heightened inflation and actuarial assumption, but behind benchmark
- The short and medium-term outlook for markets remains very uncertain. Inflation remains abnormally high and interest rates continue to increase.
- The current asset allocation strategy continues to evolve and serve the Fund well. The performance from some of the newer investments remains quite encouraging

### Market Background

There were mixed economic signals around the globe during the quarter. Inflation remained very close to the top of agendas in most developed economies during the quarter whilst in contrast, consensus forecasts for global growth improved albeit modestly.

Interest rates were hiked in Western markets in response to stubbornly high inflation and bond markets recorded losses accordingly.

Global equities gained ground however, but the gains were narrowly focused on the tech sector, buoyed by enthusiasm over "AI". The US was the best performer in local currency terms due to its sizeable technology exposure but in Sterling terms, Japan was the standout performer due largely to the weakness of its currency. The UK was the worst performing developed market weighed down by weakness in the basic materials and energy sectors coupled with a strong Pound which impacted the overseas earnings of many UK companies. Weak economic Chinese data led to underperformance in emerging markets.

Real estate capital values are expected to have fallen over the period echoing the negative sentiment in the wider economy. The near-term outlook for the sector is one of subdued growth.

## LGPS Funds

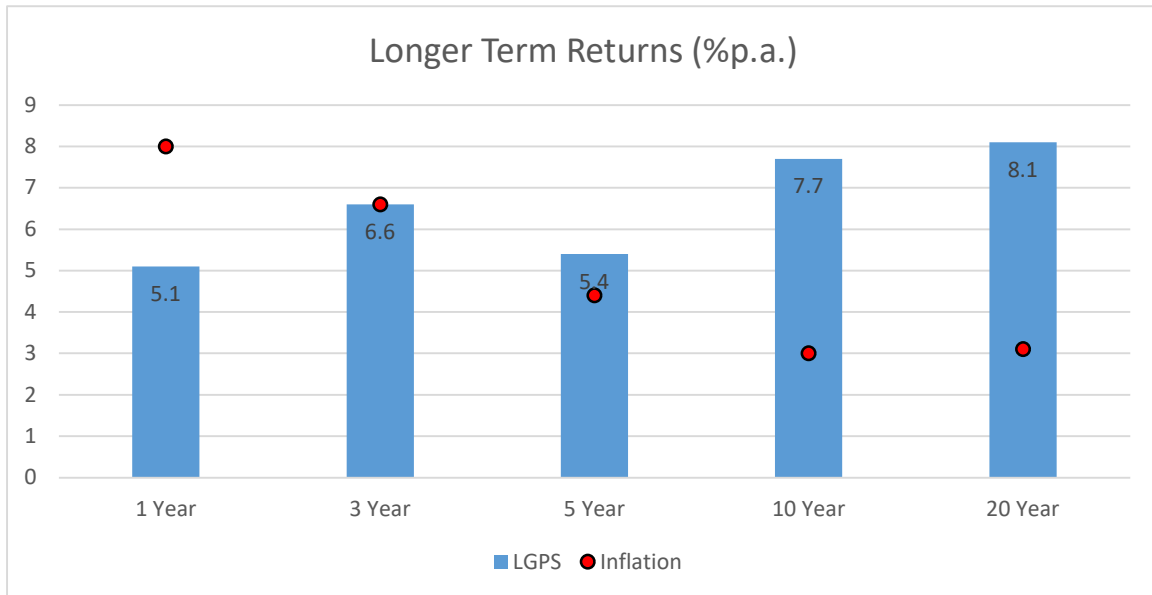
The average LGPS funds is expected to have returned +2%, starting the new year on a positive note.

### Longer-Term

The one year at around 5% is positive thanks to the first calendar six months of the year.

The three-year return, always an important measurement point for the LGPS is running just shy of 7% and exactly in line with the rise in inflation. Over the last ten and 20 years the average fund has delivered a return in the region of 8% p.a.

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 2.3% over the quarter, compared to a benchmark return of 1.8%. This represents an outperformance of 0.5%.

Performance from the Fund's managers was mixed as might be expected.

The analysis below shows the make-up of the returns, both absolute and relative.

Column			A	B	C	D	E	F
Manager	Brief	Start Value (£m)	Returns			Contributions		
			Fund	Benchmark	Relative Return	Fund	Benchmark	Relative
BLK *	Equity/ILG	425,294	2.9	2.8	0.1	0.6	0.6	-
LGIM *	Equity/ILG	384,853	2.4	1.3	1.1	0.5	0.2	0.2
BLK	Diversified Growth	141,523	0.2	1.1	-1.0	-	0.1	-0.1
BLK	Absolute Return Bond	133,397	-3.4	1.1	-4.5	-0.2	0.1	-0.3
Newton	Global Equity	268,133	2.0	4.0	-1.9	0.3	0.5	-0.2
Comgest	EM Equity	93,431	-3.9	-1.9	-2.0	-0.2	-0.1	-0.1
Brockton	Property	6,839	0.0	3.6	-3.5	-	-	-
Nuveen	Property (Core)	201,762	0.6	1.7	-1.1	0.1	0.2	-0.1
Invesco	Property	33,068	0.4	1.9	-1.6	-	-	-
M&G	Property	43,231	1.3	1.9	-0.6	-	-	-
Frogmore	Property	6,799	-3.3	3.9	-6.9	-	-	-
Glenmont	Infrastructure	26,437	-4.1	2.4	-6.3	-0.1	-	-0.1
Temporis	Infrastructure	43,392	49.2	2.4	45.7	1.1	0.1	1.0
Temporis (New)	Infrastructure	30,590	-1.0	1.7	-2.7	-	-	-
Temporis Impact	Infrastructure	12,646	32.1	2.4	29.0	0.2	-	0.2
BLK	Infrastructure	15,921	0.7	2.4	-1.7	-	-	-
Blackstone	Diversified Alternatives	48,179	10.4	2.9	7.3	0.2	0.1	0.2
BTG	Diversified Alternatives	35,743	-3.0	1.5	-4.4	-0.1	-	-0.1
Darwin	Diversified Alternatives	21,620	0.7	1.5	-0.8	-	-	-
BLK/LBS	Cash	31,404	0.7	0.7	0.0	-	-	-
<b>Total</b>		<b>2,004,262</b>	<b>2.3</b>	<b>1.8</b>	<b>0.5</b>	<b>2.3</b>	<b>1.8</b>	<b>0.5</b>

\* The benchmarks calculated by JPM for these portfolios are under review and are subject to change.

There are a lot of numbers in the table but by way of explanation:

- Column A shows the returns generated by each of our managers and the aggregate outcome
- Column B shows the returns targeted by the managers and the aggregate
- Column C shows how each of the managers has fared relative to their own benchmark i.e. value add
- Column D is simply the weighted contribution to the total from each of the managers e.g. a portfolio returning 10% representing 5% of the Fund's assets would contribute 0.5%
- Column E is the same but for the benchmark returns
- Column F is the same but for the relative returns

The takeaways for the latest quarter are;

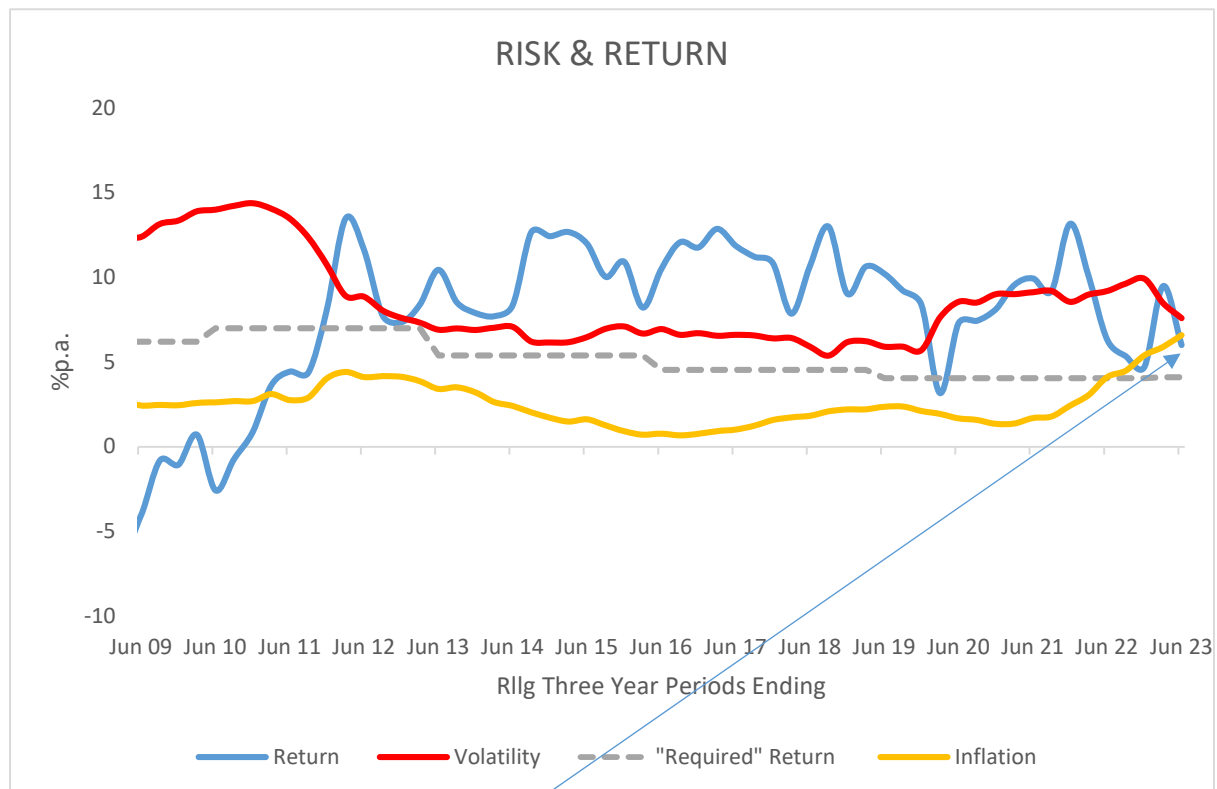
- In terms of the overall outcome of 2.3% (column D), the key positive contributors were the two 'aggregate' tracker portfolios (LGIM and BlackRock) and the Temporis Operational Renewable Energy fund.
- There were some very large deviations from benchmark (column C). The largest deviations, both positive and negative, came mostly from the smaller specialist or niche portfolios e.g., Temporis. These deviations are not untypical as the investments are long-term in nature and cashflows (payments to and from the Fund) are unpredictable and irregular. In a number of cases, the success (or otherwise) of such investments will only be determined after a number of years.
- In terms of contributions to the overall excess return of 2% (column F), the Temporis Operational Renewable Energy fund was the key positive despite its relatively small size

Over the **full year**, the Fund returned a modest 4% but lagged the benchmark by more than 2%. All of this underperformance can be attributed to our property holdings which alone detracted 2.5%. Also detracting value were the absolute return bond portfolio managed by BlackRock, and the Blackstone portfolio.

**Medium-term**, the Fund has returned roughly 6%p.a. over the three and five-year periods. 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 8.5%p.a. return but 0.6%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 well ahead of the Government's target in the immediate short-term, this is a concern

### **Newton – Active Global Equity**

Newton failed to sustain the excellent performance of last quarter underperforming the index by nearly 2%. In a difficult quarter for active stock pickers, selection in technology, financials and consumer discretionary weighed on returns. An interesting observation from the manager was the cost to the portfolio of not holding Nvidia (around 0.5%), which it sold as part of the portfolio net-zero transition. 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 transition. This is a helpful metric.

The portfolio's annual return was very strong indeed at 12.5%. This was ahead of the World index but behind the 3% outperformance target (which has subsequently been removed).

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 sounds prudent.

### **Comgest – Active Emerging Market Equity**

As with Newton, Comgest failed to build on the March quarter momentum and delivered a negative absolute and relative return over the quarter – portfolio -3.9%, index -1.9%.

Over the full year, the portfolio returned -0.3%, but this was much better than the corresponding -2.8% for the index.

### **BlackRock - Active**

The active positions performed quite differently over the quarter. Both underperformed the cash benchmark, however.

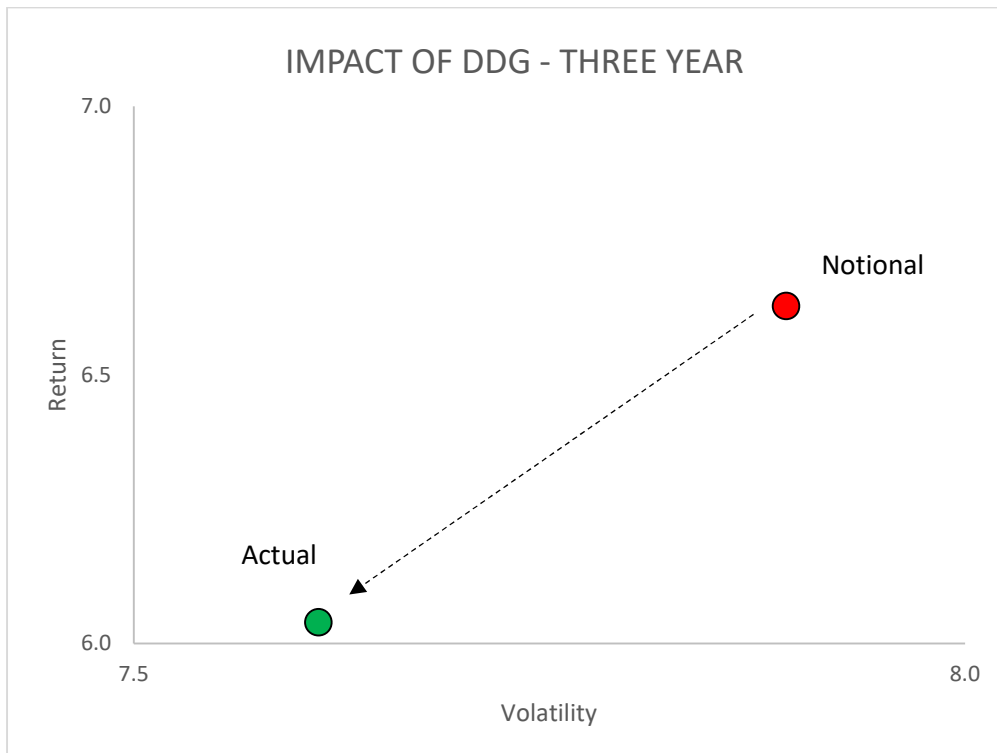
The DDG portfolio returned 0.2%, representing a shortfall of almost 1%. Positive equity returns were offset by poor returns from credit and some of their alternative strategies.

The ARB portfolio underperformed the cash benchmark by a sizeable 4.6% over the quarter. Longer duration positions were the main cause of the underperformance.

Since their inception, returns from both strategies have been disappointing, delivering less than 2%p.a. and some way behind our modest expectation (cash plus 3 or 4%).

Focusing on the DDG portfolio, whilst seeking to offer downside protection, return generation is intended to be uncorrelated to that of any single asset class and as such, the overall Fund volatility should reduce in any prevailing market condition.

I show again a chart illustrating how this has worked in practice. As a reminder, the actual Fund outcome is the green plot, the notional outcome i.e. what would the Fund have looked like without the DDG investment the red plot.



What this shows is that volatility has been reduced through the addition of the DDG investment but very marginally (by 0.3%p.a.) but at the cost of some potential return (0.6%).

In terms of the balance between risk and return, the trade-off is poor. One of the main reasons for this is that the returns being generated are highly correlated to equities, the Fund's primary growth driver. ***This is not an ideal fit for our baseline strategy and one of the key reasons the position is being wound down.***

### **Nuveen Real Estate – Core Property**

The portfolio return was 0.6% for the quarter. This was all generated by income with capital growth of zero.

Office valuations decreased most significantly (by 3.0%) whilst all other main sectors returned positively, notably industrials.

The full year return reported by Nuveen was -14.8%, a further reduction from the -12.4% reported at the fiscal year-end. The medium-term numbers remain impaired (three- and five-year numbers are between 2% and 4%p.a.) but longer-term returns remain solid at around 6%p.a.

The current seven-year number of c2.7p.a. has fallen back sharply and remains some way behind the 7%p.a. target set by the Panel.

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/Oppportunistic Real Estate

Reported returns were all behind benchmark over the quarter and for the full year. Going on JP Morgan's returns, Invesco has been the better performer over the full year but since inception, all four non-core portfolios have lagged their respective (and time-specifically challenging) benchmarks.

### Southwark's Property Allocation

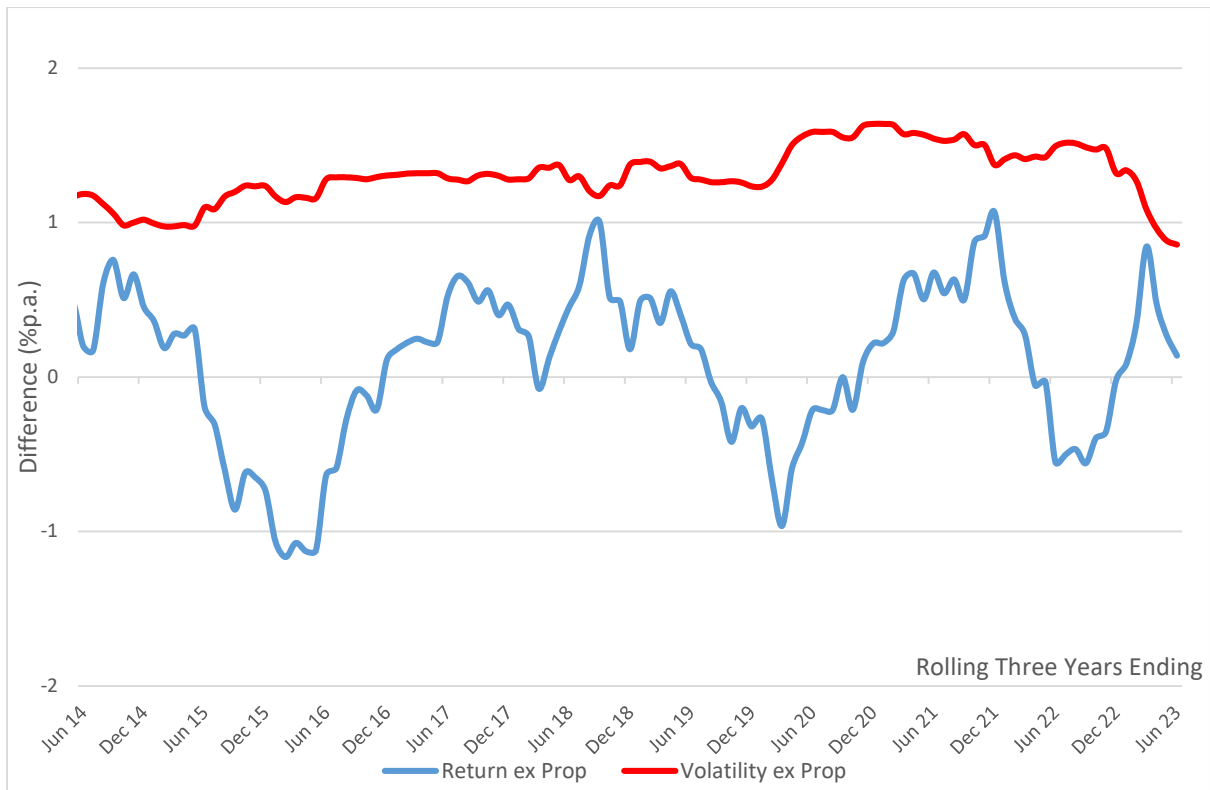
The core and added value/opportunistic assets performed very much in line over the quarter but over the full year, continue to perform quite differently. There may well be a lag effect in the valuations of the non-core holdings however and this differential may switch in the coming quarters. The following table gives a flavour of this.

	Quarter *			Year		
	Fund	Benchmark	Relative	Fund	Benchmark	Relative
All Property	0.5	1.9	-1.3	-10.6	7.6	-17.0
Core	0.6	1.7	-1.1	-14.7	7.0	-20.3
Ex Core	0.5	2.2	-1.7	-0.9	9.2	-9.3

The core portfolio is around two-thirds of the overall allocation and so will so this will realistically dictate how the Fund's real estate assets perform.

The table shows that over the full year, the non-core assets have enhanced the overall return.

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 has been very marginally negatively impacted by our real estate holdings (by approximately 0.1%p.a.). Volatility overall has been reduced but by a much bigger margin (just under 1%). There has therefore been a beneficial risk/return trade-off.

### Infrastructure

The Fund's infrastructure investments are relatively new and comprise just over 6% of the overall asset value. It is too early to provide any meaningful commentary on performance, but early signs are quite encouraging. Over the full year, I estimate the assets to have added in the region of 1% to the bottom line.

### "ESG Priority Allocation"

It's a similar story for these portfolios i.e. it's very early to provide any meaningful commentary on performance but early signs are of returns ahead of expectation.

### Passive Portfolios

The portfolios tracked within tolerance over the quarter.



# Quarterly Investment Dashboard Q2 2023

London Borough of Southwark Pension Fund



Prepared for: The Pension Advisory Panel

Prepared by: Aon

Date: 18 September 2023



# At a glance...


## Assets

£2,053.6m 

Assets increased by £38.6m over the quarter.


## Funding

110%

 £1m  
vs 31 Mar 2023

## Surplus

£192M

 £23M  
vs 31 Mar 2023

## Manager ratings

11 **Buy rated** 10 **Not rated**  
1 **Qualified** 0 **Not recommended**

## Relative performance (short term)

2.0% 

The scheme returned 2.3% vs 0.4% over the quarter.

## Relative performance (3 year p.a.)

-0.4% 

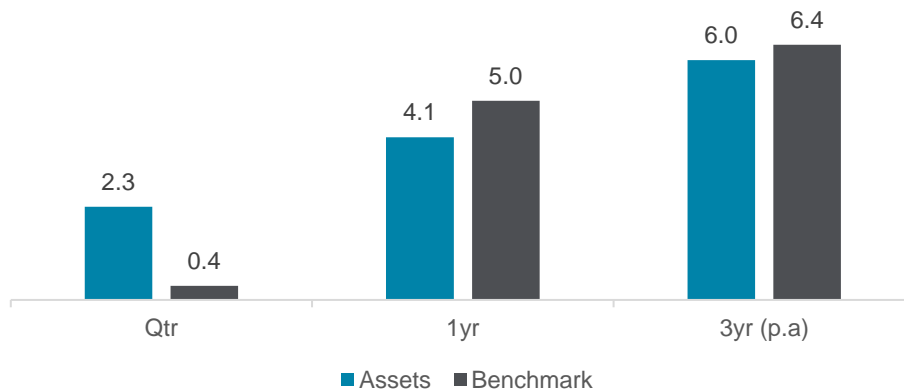
The scheme returned 6.0% p.a. vs 6.4% p.a. over the three-year period.

## Comments

- The Fund's total assets increased by £38.6m over the quarter, from £2,015.0m to £2,053.6m.
- Following the Fixed Income Manager Selection Day on 9 March 2023, the PAP agreed to invest c.£100m in the Robeco Climate Global Credits Fund. This decision was ratified at the July 2023 PAP Meeting and the implementation was successfully implemented in early September with the majority of the monies sourced from the Blackrock Dynamic Diversified Growth ('DDG') Fund and the residual amount being sourced from Blackrock Absolute Return Fixed Income Fund.
- As part of the Fund's cashflow management framework, the Officers fully redeemed their holdings in the Blackrock Sterling Liquidity Fund (SLF) and invested the proceeds into money market funds and the LGIM Sterling Liquidity Fund.
- Following Aon's suitability advice note, the PAP agreed to invest £30m in the Darwin Leisure Development Fund. The decision was taken outside of the quarterly PAP meeting cycles to enable the Fund to meet the deadline required to benefit from a fee discount.
- Post quarter-end, Aon provided the Officers and PAP with suitability advice on whether to make an additional £6m investment into the Temporis Impact Fund V. Temporis required the additional commitment to invest in an attractive battery project.
- More information on notable developments are found in the Manager Review section

# Fund performance – Snapshot

## Fund performance & benchmark



## Quarterly (relative)

**2.0%**



The scheme returned 2.3% vs 0.4% over the quarter.

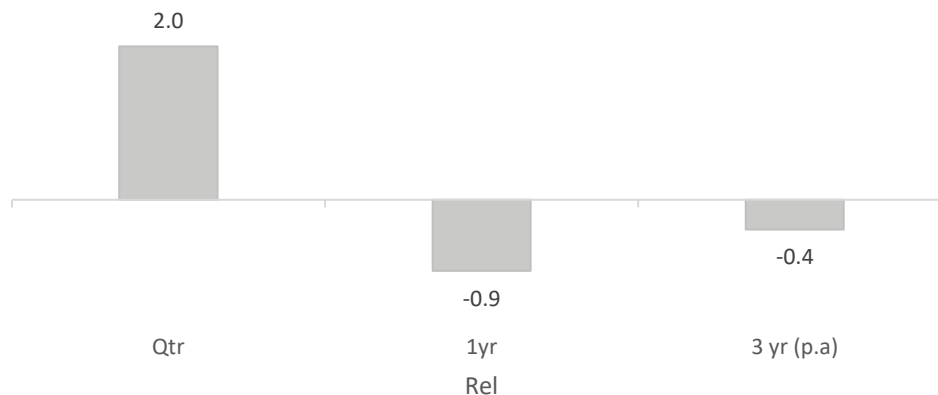
## 3 year (relative) p.a.

**-0.4%**



The scheme returned 6.0% p.a. vs 6.4% p.a. over the period.

## Relative performance



## Comments

Over the quarter, the Fund overperformed the total composite benchmark.

The property portfolio, particularly Frogmore and Nuveen were notable detractors to performance whilst the sustainable infrastructure portfolio, particularly the Temporis funds were notable contributors to performance. Further commentary can be found in the manager review section

# Manager performance – 30 June 2023

	3 month (%)		1 year (%)		3 years (p.a.) (%)	
	Return	Relative	Return	Relative	Return	Relative
Blackrock Aquila Over 5y Index Linked Gilts	-4.3*	3.5	-1.0	3.6	3.2	1.3
LGIM Low Carbon Equity	4.1	3.2	9.0	4.8	6.7	2.1
Newton Active Global Equity	2.0	-1.9	12.5	-2.0	9.0	-4.2
Comgest Growth Emerging Markets Plus	-3.9	-2.0	-0.3	4.6	-	-
Blackrock Diversified Dynamic Growth	0.2	-1.0	4.8	1.2	1.4	-1.5
Blackrock Absolute Return Fixed Income	-3.4	-4.6	-2.6	-6.2	0.1	-3.3
Nuveen Real Estate	0.6	-1.1	-14.7	-21.7	4.7	-5.5
Invesco Real Estate UK Residential Fund	0.3	-1.6	1.8	-6.2	3.6	-4.4
M&G UK Residential Property Fund	1.3	-0.7	0.6	-7.4	1.3	-6.7
Frogmore Real Estate Partners III	-3.3	-7.2	-21.9	-38.4	-9.3	-25.8
Brockton Capital Fund III	0.0	-3.6	-3.6	-18.6	-0.5	-15.5
Glennmont Clean Energy Fund	-4.1	-6.5	28.0	18.0	12.0	2.0
Blackrock Global Renewable Power	0.6	-1.8	9.9	-0.1	-	-
BTG Pactual OEF Fund	-3.0	-4.4	5.9	-0.1	-	-
Darwin Bereavement Services Fund	0.7	-0.8	4.8	-1.2	-	-
Temporis Operational Renewable Energy Strategy	49.2*	46.8	51.5	41.5	24.2	14.2
Temporis Impact Fund	32.1*	29.7	35.3	25.3	-	-
BlackRock World Low Carbon Equities Fund	4.8	-	-	-	-	-
LGIM Low Carbon Transition Developed Markets Index Fund	4.9	0.8	-	-	-	-
LGIM Over 5y Index Linked Gilts	-7.8*	-5.6	-	-	-	-
Temporis Renewable Energy Fund	-1.0	-2.4	-	-	-	-
Blackstone Strategic Capital Holdings GP Stakes Fund II	10.4	7.5	-9.3	-21.3	-	-

32

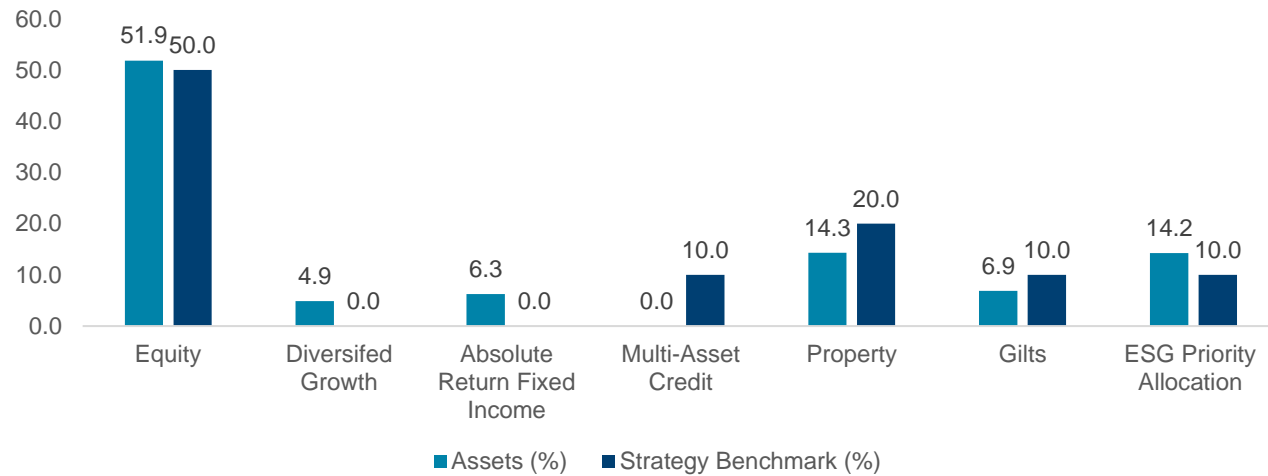
Source: J.P.Morgan and fund managers as required. Totals may not sum due to rounding.

\*These numbers are currently being reviewed by JPM and may be subject to change.

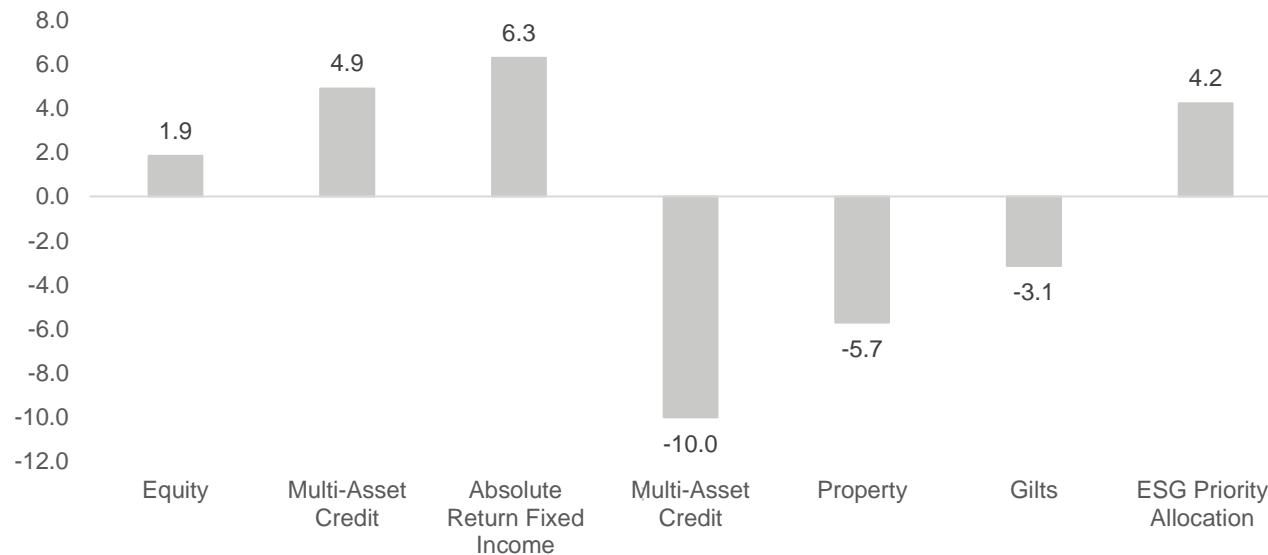
**AON**

# Strategic allocation – Snapshot

## Strategic allocation & benchmark



## Relative allocation



## Assets

£2,053.6m 

Assets increased by £38.6m over the quarter.

## Comments

- All asset classes remain well within the maximum strategic allocation limit.
- We note that it was also agreed to switch the 10% allocation from Diversified Growth to Multi-Asset Credit. **This has been reflected in the charts and tables within this section with a caveat that the Fund remained invested in a diversified growth fund over the quarter and is in the process of transitioning the assets across.**
- Following the Fixed Income Manager Selection Day on 9 March 2023, the PAP agreed to invest c.£100m in the Robeco Climate Global Credits Fund. This decision was ratified at the July 2023 PAP Meeting and the implementation was successfully implemented in early September with the majority of the monies sourced from the Blackrock Dynamic Diversified Growth ('DDG') Fund and the residual amount being sourced from Blackrock Absolute Return Fixed Income Fund.
- Aon and the Officers continue to review and assess potential strategies to ensure that the remainder of the legacy holdings are allocated to a suitable credit mandate.
- Following Aon's suitability advice note, the PAP agreed to invest £30m in the Darwin Leisure Development Fund. The decision was taken outside of the quarterly PAP meeting cycles to enable the Fund to meet the deadline required to benefit from a fee discount.

# 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

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Carbon Footprint Update – 30 June 2023	
<b>From:</b>		Interim ESG Manager	

### Recommendation

1. The pensions advisory panel is asked to note the fund's updated carbon footprint as at 30 June 2023.

2. We continue to use Sustainalytics to assist with assessments of the CO2 equivalent exposure of our holdings. The table below sets out the weighted carbon intensity 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											
		Sept 2017	Dec 2020	March 2021	June 2021	Sept 2021	Dec 2021	March 2022	June 2022	Sept 2022	Dec 2022	March 2023	June 2023
Asset Class	Fund Managers												
Equity - Developed	Blackrock, LGIM	98.7	20.4	23.0									
Equity - Developed Market Low Carbon	Blackrock, LGIM		23.7	24.2	25.5	29.8	51.1	51.0	33.2	24.9	20.6	17.5	18.9
Equity - Emerging Markets	Blackrock	18.1	15.0	19.1	18.3								
Equity - Emerging Markets	Comgest					0.5	0.5	0.2	0.2	0.2	0.2	0.4	2.4
Equity - Global	Newton	10.6	7.0	4.4	4.6	4.3	4.5	5.8	5.9	5.6	4.0	6.9	6.1
Diversified Growth Fund	Blackrock	26.7	16.0	15.6	14.2	15.8	17.1	16.5	13.7	14.4	10.7	12.6	7.3
Absolute Return Bonds	Blackrock	22.4	8.7	10.0	9.8	10.2	8.7	6.8	11.2	12.5	14.0	19.6	15.1
Core Property	Nuveen	14.3	12.0	10.6	10.5	10.7	11.2	12.0	12.9	12.7	11.2	1.8	1.8
ESG Priority Allocation - Property	Invesco, M&G, Brockton, Frogmore	8.8	9.5	10.9	11.0	10.9	4.4	4.6	5.0	5.0	5.1	4.8	4.9
ESG Priority Allocation - Alternatives	BTG Pactual, Blackstone, Darwin							0.1	0.2	0.3	0.3	0.5	1.8
Sustainable Infrastructure	Blackrock, Glennmont, Temporis	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IL Gilts	Blackrock, LGIM	14.0	14.0	14.0	26.0	25.2	25.4	24.2	20.6	19.5	20.9	21.4	12.6
Cash And Equivalents	Blackrock, Nuveen, Newton	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Weighted Carbon Intensity</b>		213.7	126.3	131.7	120.0	107.3	122.9	121.4	102.9	95.1	87.1	85.5	71.1
<b>Total Change in Footprint</b>			<b>-40.9%</b>	<b>-38.3%</b>	<b>-43.8%</b>	<b>-49.8%</b>	<b>-42.5%</b>	<b>-43.2%</b>	<b>-51.9%</b>	<b>-55.5%</b>	<b>-59.2%</b>	<b>-60.0%</b>	<b>-66.7%</b>



## Results

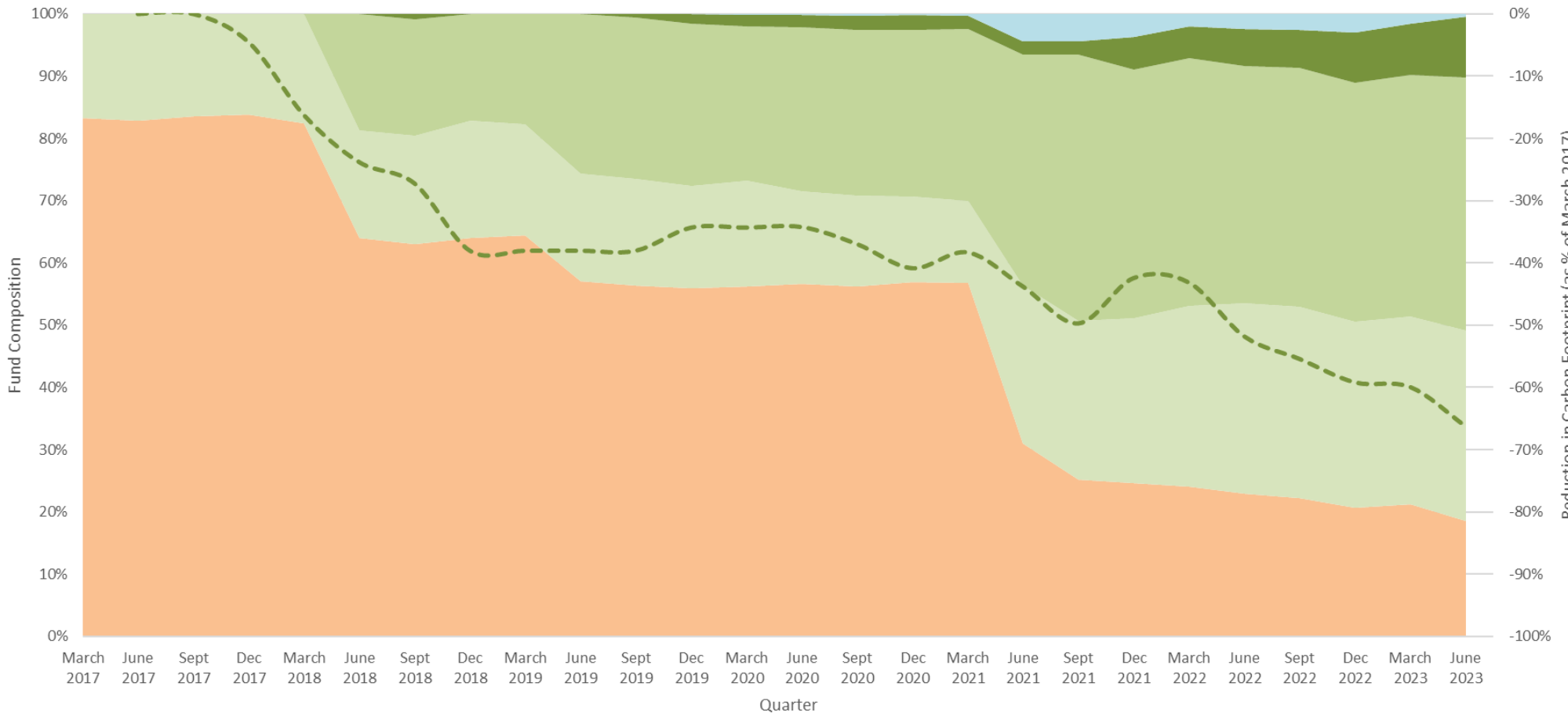
3. The results for 30 June 2023 shows continuing improvement in the carbon footprint reduction for the Fund. Since September 2017, the Fund has reduced its weighted carbon intensity by ~67%.
4. The reduction in Weighted Average Carbon Intensity (WACI) for the quarter to June 2023 has been driven by a combination of the following:
  - a. Developed market equities (negative impact): The increase in WACI for the Blackrock and LGIM developed market equities (18.9 vs 17.5) is due to market fluctuations and underlying data available from Sustainalytics.
  - b. Index-linked Gilts (positive impact): Previously, we used proxy WACI for both our investments with LGIM and BlackRock (282.4). We now have received actual WACI from BlackRock (105.2) which is lower than the proxy we have used to date. We continue to use proxy WACI (282.4) for LGIM. The lower actual WACI for BlackRock investment has contributed to reduction in overall carbon intensity for the index-linked gilts.
  - c. Newton Global Equity & BlackRock Absolute Return Bonds and Diversified Growth Fund (positive impact): The decrease in WACI for Newton (6.1 vs 6.9), BlackRock ARB (15.1 vs 19.6) and DGF (7.3 vs 12.6) is due to an improvement in underlying data available from Sustainalytics and BlackRock.
  - d. Comgest (negative impact): We now have more accurate WACI data being provided by Comgest. This WACI (53.06) is higher than what we have used previously which has in-turn increased the overall WACI for our Comgest investments.
  - e. ESG Priority Allocation (negative impact): In absence of actual data available, we have used WACI from Comgest as a proxy for our investments in the ESG Priority Allocation category which include Blackstone Reduced Carbon Fund and Darwin Bereavement Services Fund. Due to this use of Comgest WACI as a proxy, overall WACI for this asset category is higher compared to the previous quarter.
5. We continue to use historical WACI as a proxy for our indirect property assets. We consider carbon footprint of our sustainable infrastructure assets to be zero. We are working on improving engagement with the fund managers to achieve a more accurate carbon footprint measurement of these assets.
6. The unweighted exposure for each investment is set out below ranked in order of carbon footprint, from lowest to highest exposure.

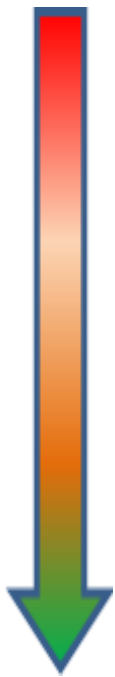
**Unweighted Carbon Intensity**

<b>Unweighted Carbon Intensity</b>		<b>Unweighted Carbon Intensity tCO2e/\$m June 2023</b>
<b>Asset Class</b>	<b>Fund Manager(s)</b>	<b>June 2023</b>
Cash And Equivalents	Blackrock, Nuveen, Newton	0.00
Sustainable Infrastructure		0.00
ESG Priority Allocation	BTG Pactual	0.00
Core Property	Nuveen	18.00
Equity – Emerging markets	Comgest	53.10
ESG Priority Allocation - Alternatives	Blackrock, Blackstone, Glennmont, Temporis	106.08
Diversified Growth	Blackrock	145.90
Global Equity	LGIM, Blackrock, Newton	219.16
Absolute Return Bonds	Blackrock	235.04
Index Linked Gilts	Blackrock, LGIM	387.63
ESG Priority Allocation - Property	Brockton, Frogmore, Invesco, M&G	430.80
<b>Total</b>		<b>1595.75</b>

7. 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 ~ 80% of our total investment (up from ~77% as at 31 March 2023).
8. 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 and can be easily updated over time.

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





**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. There are no immediate implications arising.

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

10. There are no immediate implications arising.

### **Health Impact Statement**

11. There are no immediate implications arising.

### **Climate Change Implications**

12. There are no immediate implications arising.

### **Resource Implications**

13. There are no immediate implications arising.

### **Legal Implications**

14. There are no immediate implications arising

### **Consultation**

15. There are no immediate implications arising.

## Financial Implications

16. There are no immediate implications arising.

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Spandan Shah, Interim ESG Manager	
<b>Version</b>	Final	
<b>Dated</b>	12 September 2023	
<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>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		18 September 2023

<b>Item No.</b> 10.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Local Government Pension Scheme Pooling Consultation	
<b>From:</b>		Pensions Investments Manager	

## Recommendation

1. The pensions advisory panel is asked to note and discuss the content of the LGPS pooling consultation 2023 and to agree that the final response will be circulated to members of PAP ahead of being submitted by the S151 officer.

## Background information

2. At the Chancellor’s Mansion House speech of the 10 July 2023 a package of reforms designed to boost pensions and increase investment in British businesses was announced. Within the speech, reference was made to the potential to unlock additional investment from both Defined Contribution pensions and the LGPS to support the priority of growing the economy and delivering benefits to savers.
3. On 11 July 2023, a policy consultation on LGPS pooling was launched by DLUHC, with an invitation for stakeholders to respond to questions within the consultation by 2 October 2023. The consultation seeks views on proposals relating to the investment of the LGPS and covers the areas of asset pooling, levelling up, opportunities in private equity and investment consultancy services

## LGPS (England & Wales): Next steps on investments consultation highlights

4. It is apparent that government is keen to see pooling moving further and faster to substantially increase scale and drive better value for money for stakeholders. To achieve this aim, the latest pooling consultation has a number of key pillars including:
  - Accelerating the pace of transition of liquid assets to pooling by 31 March 2025.
  - An expectation that, over time, all LGPS assets would be pooled.
  - Direction of travel towards a smaller number of pools (there are currently eight) to achieve a target of more than £50 billion in funds directly invested by each pool.
  - In the short-medium term, pools should move towards greater collaboration.

- Pools to consider specialisation, building on the strengths in particular areas of investment.
- Clearer delegation to pool companies on investment strategy implementation, with investment strategy decision-making remaining in the hands of the individual funds.
- A requirement for funds to set a plan to invest up 5% of assets in levelling up in the UK.
- A doubling of LGPS funds' allocation to private equity (to 10%) to support UK businesses and through collaboration with the British Business Bank, which has specific expertise in venture capital and growth equity.
- Guidance to require a training policy for pension committee members with regular reporting on compliance.
- Guidance to require standardised reporting in respect of pooling both in the annual report and statutory reporting to government.
- An improvement in the provision of investment consultancy services to the LGPS through funds being formally required to set objectives in relation to the Competition and Market Authority's (CMA) Investment Consultancy and Fiduciary Management Market Investigation Order.

### Consultation Questions

5. To help achieve the above objectives, government is asking stakeholders to respond to the following consultation questions:

1.	Do you consider that there are alternative approaches, opportunities or barriers within LGPS administering authorities' or investment pools' structures that should be considered to support the delivery of excellent value for money and outstanding net performance?
2.	Do you agree with the proposal to set a deadline in guidance requiring administering authorities to transition listed assets to their LGPS pool by March 2025?
3.	Should government revise guidance so as to set out fully how funds and pools should interact, and promote a model of pooling which includes the characteristics described above
4.	Should guidance include a requirement for administering authorities to have a training policy for pensions committee members and to report against the policy?
5.	Do you agree with the proposals regarding reporting? Should there be an additional requirement for funds to report net returns for each asset class against a consistent benchmark, and if so how should this requirement operate?
6.	Do you agree with the proposals for the Scheme Annual Report?
7.	Do you agree with the proposed definition of levelling up investments?

8.	Do you agree that funds should be able to invest through their own pool in another pool's investment vehicle?
9.	Do you agree with the proposed requirements for the levelling up plan to be published by funds?
10.	Do you agree with the proposed reporting requirements on levelling up investments?
11.	Do you agree that funds should have an ambition to invest 10% of their funds into private equity as part of a diversified but ambitious investment portfolio? Are there barriers to investment in growth equity and venture capital for the LGPS which could be removed?
12.	Do you agree that LGPS should be supported to collaborate with the British Business Bank and to capitalise on the Bank's expertise?
13.	Do you agree with the proposed implementation of the (CMA) Order through amendments to the 2016 Regulations and guidance?
14.	Do you agree with the proposed amendment to the definition of investments?
15.	Do you consider that there are any particular groups with protected characteristics who would either benefit or be disadvantaged by any of the proposals? If so please provide relevant data or evidence.

6. A number of key issues for LBSPF have been identified, which will be covered in the consultation response.
7. The LBS PF response to the questions in Paragraph 5 will take into consideration all of the issues identified in Paragraph 6. In addition, it is expected that there will be some consistency, where relevant, amongst the London Boroughs.
8. It is important to respond to the consultation to ensure that LBS PFs concerns are shared with DLUHC and, as far as possible, the response should be proactive. It is clear that Government is not consulting on principle and that many of the proposals in the consultation will go ahead. It is therefore important that consultation responses demonstrate a willingness to smooth the edges.

### **Next Steps**

9. Officers continue to attend roundtables and pooling consultation events which will inform the LBSPF response to the consultation. Once a draft has been finalised, it is proposed that this will be shared with members of PAP for information ahead of submission before 2 October.
10. It is expected that the Chancellor will make comment on the initial findings from evaluating consultation responses in his Autumn Statement on 22 November.

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

#### **Community Impact Statement**

11. There are no immediate implications arising.



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

12. There are no immediate implications arising.

**Health Impact Statement**

13. There are no immediate implications arising.

**Climate Change Implications**

14. There are no immediate implications arising.

**Resource Implications**

15. There are no immediate implications arising.

**Legal Implications**

16. There are no immediate implications arising

**Consultation**

17. There are no immediate implications arising.

**Financial Implications**

18. There are no immediate implications arising.

**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Tracey Milner, Interim Pension Investments Manager	
<b>Version</b>	Final	
<b>Dated</b>	18 September 2023	
<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>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>		18 September 2023

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Pension Fund Draft Training Policy	
<b>From:</b>		Pensions Investments Manager	

## Recommendations

1. The pensions advisory panel is asked to:
  - Consider and discuss the draft training policy (Appendix 1) for the Pensions Advisory Panel (PAP) members, Local Pensions Board members and for those officers dealing with matters relating to the Pension Scheme.
  - Recommend to the Local Pension Board of 11 October 2023 that the policy is agreed in principle.

## Background

2. The 2023 consultation on the future direction of LGPS pooling includes references to the need for appropriate expertise for those tasked with pension fund decision making. Members of Pensions Boards have mandatory training requirements. However, this is not currently the case for the Pensions Advisory Panel, although it is generally accepted as best practice.
3. Under the consultation, Government is proposing that each administering authority set out a training policy for committee members (i.e. members of PAP) and that the training undertaken by members should be reported on regularly.
4. Under the Markets in Financial Instruments Directive II (MiFiD II) regulations (which came into effect on 3 January 2018), those that are responsible for the management of the LB Southwark PF need to demonstrate a high level of skills and knowledge to enable the Fund to be recognised as a professional investor. Being designated as a retail investor status means that the Fund will not have access to the type of investment product commensurate with the types of investment in which the Fund invests.
5. Failure to adequately demonstrate a high level of collective knowledge and skills across the Pensions Advisory Panel, Local Pension Board and officers could result in the loss of professional investor status hence access to the appropriate investment opportunities.

6. Southwark Council is committed to providing training to those involved in the governance of the Southwark Pension Fund and to ensure that the Pensions Advisory Panel and the Local Pensions Board members have the necessary skills and knowledge to effectively discharge their responsibilities. There is an expectation that officers involved in the governance of the Fund participate in relevant training activities as part of their Continuing Professional Development.

### **LBS Pension Fund Training Policy**

7. The draft training policy is at Appendix 1. If adopted, the policy will apply to all members of PAP, whether voting or not, members of the Local Pensions Board and officers responsible for the management of the Pension Fund.
8. The objectives of this policy are to:
  - i. Ensure that the Fund is managed, and its services delivered, by members and officers with the appropriate knowledge and expertise to demonstrate competence in their role.
  - ii. Provide those with responsibility for governing the Fund the tools to evaluate the information that they receive and feel confident in being able to challenge where appropriate.
  - iii. Support effective and robust decision making, ensuring that decisions are comply with prevailing regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Department for Levelling up, Housing and Communities (DLUHC).
  - iv. Ensure an understanding of the operation and administration of the LB Southwark Pension Fund.
9. The policy sets out a plan to evaluate training needs on an ongoing basis, an outline of suitable training opportunities and the process for reporting on training activities.

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

#### **Community Impact Statement**

10. There are no immediate implications arising.

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

11. There are no immediate implications arising.

#### **Health Impact Statement**

12. There are no immediate implications arising.

### Climate Change Implications

13. There are no immediate implications arising.

### Resource Implications

14. There are no immediate implications arising.

### Legal Implications

15. There are no immediate implications arising

### Consultation

16. There are no immediate implications arising.

### Financial Implications

17. There are no immediate implications arising.

### APPENDICES

Name	Title
Appendix 1	London Borough of Southwark Pension Fund Training Policy (Draft)

### AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director of Finance	
<b>Report Author</b>	Tracey Milner, Interim Pension Investments Manager	
<b>Version</b>	Final	
<b>Dated</b>	15 September 2023	
<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 Democracy	No	No
Strategic Director of Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	18 September 2023	

## London Borough of Southwark Pension Fund Training Policy (DRAFT)

### Introduction

1. Southwark Council is committed to providing training to those involved in the governance of the Southwark Pension Fund and to ensure that the Pensions Advisory Panel and the Local Pensions Board members have the necessary skills and knowledge to effectively discharge their responsibilities. There is an expectation that officers involved in the governance of the Fund participate in the relevant training activities as part of their Continuing Professional Development.
2. The objectives of this policy are to:
  - Ensure that the Fund is managed, and its services delivered, by members and officers with the appropriate knowledge and expertise to demonstrate competence in their role.
  - Provide those responsibility for governing the Fund to evaluate the information that they receive and feel confident in being able to challenge where appropriate.
  - Support effective and robust decision making, ensuring that decisions comply with prevailing regulatory requirements or guidance from the Pensions Regulator, the Scheme Advisory Board and the Secretary of State for the Department for Levelling up, Housing and Communities (DLUHC).
  - Ensure an understanding of the operation and administration of the London Borough of Southwark Pension Fund.
3. In the context of both the Markets in Financial Instruments Directive II (MiFiD II) and the 2023 consultation on the pooling of LGPS scheme assets, it is important that members of both the Pensions Advisory Panel and the Local Pension Board commit to participating in training to ensure that they have the necessary skills required to support them in their role.
4. Officers responsible for the management and administration of the LGPS are expected to participate in appropriate training to fill any knowledge gaps and to maintain their level of understanding of their role. For those with professional memberships (e.g. CIPFA) this will also ensure that Continuing Professional Development (CPD) requirements are met.
5. Compliance with this training plan will be monitored throughout the financial year and will be reported on in the annual report.

### MiFiD II and LGPS Pooling Consultation

6. Under MiFiD II regulations (which came into effect on 3 January 2018), those that are responsible for the management of the London Borough of Southwark Pension Fund need to demonstrate a high level of skills and knowledge to enable the Fund to opt-up and be recognised as a professional investor. Being downgraded to retail investor status means that the Fund will not have access to the type of investment products commensurate with the types of investment in which the Fund invests.

7. Failure to adequately demonstrate a high level of collective knowledge and skills across the Pensions Advisory Panel and Local Pension Board could result in the loss of professional investor status and access to the appropriate investment opportunities.
8. The 2023 consultation on the future direction of LGPS pooling includes reference to the need for appropriate expertise for those taking with pension fund decision making. Members of Pensions Boards have mandatory training requirements. However, this is not currently the case for the Pensions Advisory Panel (or equivalent Pensions Committee), although it is generally accepted as best practice. Government is therefore proposing that each administering authority set out a training policy for committee members (i.e. members of PAP) and that the training undertaken by members should be reported on regularly.

### **Local Pension Board**

9. In accordance with Section 248A of the Pensions Act 2004 and redrafted by the Pensions Act 2013, every member of the Southwark Local Pension Board must be conversant with:
  - The rules of the Local Government Pension Scheme (LGPS), for example, Investment regulations.
  - Any document recording policy about the administration of the Southwark Pension Fund.
10. Local Pension Board members should also have knowledge and understanding of:
  - The law relating to pensions
  - Any other matter that may be prescribed.

### **Induction Training**

11. On joining the Pensions Advisory Panel or Local Pension Board, all new members will receive an induction pack and will attend an induction meeting with the Senior Finance Manager – Treasury and Pensions. The induction pack includes relevant training slides and links to key fund documents, which can be found on the Pension Fund website.
12. Local Pension Board members must complete, by their first meeting or within the first three months of their appointment (whichever is earlier), the online training courses provided in the Public Service Toolkit by the Pension Regulator (TPR), and within six months of their appointment, the TPR Trustee Toolkit.
13. Local Pension Board members must attend the three-day LGA LGPS Pension Fundamentals Training at the earliest opportunity and within the first 12 months of their appointment. Attendance can be in-person or online and the cost of attendance will be paid for out of the Pension Fund.

14. Local Pension Board members must familiarise themselves with the Southwark Pension Fund website and the information held on the site:  
[Policies | London Borough of Southwark \(southwarkpensions.co.uk\)](https://www.southwarkpensions.co.uk)
15. Members of the Local Pension Board and Pensions Advisory Panel must assess their training needs by completing the training needs analysis template that the Pensions Regulator has provided to support this process:  
[db-trustees-assess-your-learning-needs.pdf \(thepensionsregulator.gov.uk\)](https://www.thepensionsregulator.gov.uk/db-trustees-assess-your-learning-needs.pdf)  
(An excerpt can be found at Appendix 3).
16. While it is mandatory for Local Pension Board members to complete the training identified above, this policy also requires that members of the Pensions Advisory Panel also complete the training to ensure ongoing best practice is applied in the governance of the pension fund.

### **The Pensions Regulator Toolkit**

17. The TPR Trustee toolkit provides a guide to understand the Governance and administration requirement in public service schemes Code of Practice no. 14.
18. The toolkit includes ten Essential Learning for Trustee compulsory modules and seven Public Service Toolkit compulsory online learning modules that must be completed successfully to pass the induction training.
19. The ten essential learning for trustee compulsory modules test Board members knowledge in the following key areas:
  - Introducing pension schemes
  - The trustee's role
  - Running a scheme
  - Pensions law
  - An introduction to investment
  - How a defined benefit (DB) scheme works
  - Funding your defined benefit scheme
  - Defined benefit recovery plans, contributions and funding principles
  - Investment in a defined benefit scheme
  - Pension scams.
20. The seven Public Service Toolkit compulsory modules test Board members knowledge in the following key areas:
  - Conflicts of interest
  - Managing risk and external controls
  - Maintaining accurate member data
  - Maintaining member contributions
  - Providing information to members and others
  - Resolving internal disputes
  - Reporting breaches of the law.



21. While the toolkit is designed with Local Pension Board members in mind, the material is of equal relevance to members of the Pensions Advisory Panel
22. The Pension Regulator trustee toolkit can be found here:  
[Welcome to The Trustee toolkit \(thepensionsregulator.gov.uk\)](http://thepensionsregulator.gov.uk)

### Delivery of Training

23. Training and development support for PAP/board members and officers will be delivered in a variety of ways:

PAP/Board Members	Officers	Examples
Pension Regulator online toolkit	Pension Regulator online toolkit	See Para 17- 22
LGA Fundamentals training course	LGA Fundamentals training course	See details in Appendix 2
Seminars, conferences and external events	Seminars, conferences and external events	PLSA events LGC events DG Publishing LGPS in conversation
Investment adviser/consultant training	Investment adviser/consultant training	Performance assessment Asset classes
Actuary training	Actuary training	Valuation assumptions and methodology
Fund manager training	Fund manager training	Asset class training
Officer updates		Newsletter
Online resources	Online resources	SAB website <a href="http://lgpsregulationsandguidance.org">LGPS Regulations and Guidance (lgpsregs.org)</a>

24. Where appropriate, training will be provided jointly for the PAP, Local Pensions Board and officers. In addition, officers will circulate potential external training/CPD opportunities on a monthly basis or as they arise. Should members be made aware of any training opportunities that are not captured in regular officer updates, these should be notified to officers for circulation.
25. Where possible, a standing agenda item for training for PAP/LPB members will be included at each quarterly meeting. Should a standalone meeting be required solely for training purposes, this will be set up to be as accessible as possible for as many members as possible. This may mean that the meeting is held on a hybrid basis.

26. Further details on training and development opportunities for 2023/2024 can be found in Appendix A

### **CIPFA Knowledge and skills framework**

27. There are eight core technical key areas of knowledge and skills that have been identified by CIPFA as the core requirements for working in the LGPS:
- Pensions legislative and governance
  - Pensions governance
  - Funding strategy and actuarial methods
  - Pensions administration and communications
  - Pensions financial strategy, management, accounting, reporting and audit standards
  - Investment strategy, asset allocation, pooling, performance and risk management
  - Financial markets and products
  - Pension services procurement, contract management and relationship management.
28. The PAP and LPB are expected to have collective understanding and officers are expected to have a detailed understanding of these areas of knowledge and skills.

### **Training Plan**

29. To be effective, training must be recognised as a continual process and will have three pillars:
- The collective knowledge of the PAP/LPB
  - The general pensions environment
  - Ongoing developments (e.g. legislative changes)
30. At present there is a minimum of four Local Pensions Board and four Pensions Advisory Panel meetings per annum.
31. All members and officers will be expected to complete a minimum of four hours training per financial year, in addition to any induction training. Officers may have additional requirements if they are members of professional bodies (e.g. CIPFA) that have specific CPD requirements.
32. Members of the PAP and LPB must be able to commit sufficient time to prepare for meetings and keep under review their knowledge and understanding.
33. Training plans will be reviewed and developed on at least an annual basis. Where knowledge gaps are identified intra-year, the training plan will be updated accordingly. This may also take into consideration updates to legislation or guidance updates.

## Acquiring, Monitoring and Reviewing Knowledge and Skills

34. PAP and LPB members must ensure that they have appropriate degrees of knowledge and understanding to carry out their stewardship role. Therefore members should invest sufficient time in their learning and development alongside their responsibilities and duties.
35. To ensure that PAP and LPB members have sufficient breadth of knowledge and understanding, they must undertake a personal training needs analysis and annual review of their skills, competencies and knowledge to identify any gaps or weaknesses.
36. The Pensions Regulator has provided a training needs analysis template to support this process:  
[db-trustees-assess-your-learning-needs.pdf \(thepensionsregulator.gov.uk\)](https://www.thepensionsregulator.gov.uk/db-trustees-assess-your-learning-needs.pdf)
37. Periodically, the PAP and Board members' knowledge will be independently assessed and benchmarked against other Administering Authorities. Any perceived gaps in knowledge will be incorporated into future training plans.

## Officer Training

38. Officers of the Fund must have the necessary skills and knowledge to carry out the tasks of managing the Fund's investments and administering the payment of benefits.
39. The knowledge and skills required of staff are set out in job descriptions, including any formal qualifications required for the role. Officers must be familiar with the requirements of the CIPFA Code of Practice on Knowledge and Skills and should have knowledge of the six areas of the framework (see paragraph 27)
40. Should there be any gaps identified in the knowledge and skills of officers, any training needs should be incorporated into the officer's personal development plan.
41. Officers will attend relevant training events and seminars during the year to ensure that they remain up to date with latest requirements and developments. Officers are also required to keep up to date with relevant issues affecting the pension fund.
42. For officers, there will be a particular focus on the following areas:
  - Public sector pensions governance – understanding the guidance and regulations in relation to local pensions boards and keeping up to date with how other Funds are working with their boards. This will ensure that the Pension Board can be supported effectively and add value to the governance of the Fund.

- New Investment Arrangements – understanding the implications of how the Southwark Pension Fund will comply with the Markets in Financial Instruments Directive (MiFiD II) or the prevailing LGPS pooling regulations.
- New Investment Products – keeping up to date with what the market (including London CIV) is offering.
- Accounting issues – keeping up to date with the latest CIPFA guidance on the format of the Pensions Fund Statement of Accounts and content of the Annual Report, including any responsible Investment related reporting such as climate related financial disclosures (TCFD).
- Pensions Administration Regulations – keeping up to date with updates/new releases.
- Actuarial methods, Standards and practices – understanding the work of the actuary and the ways in which actuarial information is produced.

### **Cost**

43. Where there is a cost associated with providing training, this will be paid by the Southwark Pension Fund
44. A budget will be allocated for training in the Fund's business plan. Where possible, training and support will be provided at nil cost through officers, conferences and seminars with free places, fund managers and advisers.

### **Training monitoring and reporting**

45. To ensure that the objectives of this training policy are being met, officers will maintain a training log to record attendance at training events. Under MiFiD II opt-up requirements, evidence of both this training policy and training received in the previous year must be provided to third parties to ensure that professional investor status is maintained.
46. The officer designated with responsibility for training must be notified by members and officers of their completion of any training. The following is a pro-forma reporting tool for such reporting:

Role	Event	Provider	Date	Event Type	Content	Duration (hrs)
Pensions Investments Manager	Investment Seminar	Local Government Chronicle	March 2023	In person conference	Investment and pooling updates	10

47. On an annual basis, members and officers will be asked to confirm their training record to enable this to be reported in the Fund annual report.

48. PAP and LPB members will be required to complete a Self-Assessment questionnaire annually to identify any development needs. Should any areas be omitted from the prevailing training plan, this will be updated to reflect any additional needs or to provide refresher training where relevant.
49. A report will be presented to the PAP and LPB on an annual basis setting out:
  - Training attended by members in the previous year
  - Any actions required, such as updating the Training Plan.
50. Where a member has not completed the required training in the timeframes set out in this policy, and has no mitigating factors, this will be reported to the chairs of the PAP and LPB for action.
51. Should any member of the LPB no longer be able to demonstrate their capacity to attend and prepare for meetings, or to participate in required training or otherwise to carry out the requirements of the role, their membership may be reviewed.
52. Officers involved in the management and administration of the Fund are set annual objectives which will include an element of professional development. These objectives will be monitored as part of the individual's annual performance review/appraisal.

## Appendix A

### Sample of Training and Development Opportunities 2023/24

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
LGA	Fundamentals 1	Legal framework of the LGPS	In person – 12/10/23 Online – 19 <sup>th</sup> & 26 <sup>th</sup> October	1 day	PAP, LPB (Officers optional)	£280 & VAT per day in person £240 & VAT online
LGA	Fundamentals 2	LGPS Investments	In person - 2/11/23 Online 16 <sup>th</sup> & 23 <sup>rd</sup> November	1 day	PAP, LPB (Officers optional)	
LGA	Fundamentals 3	Duties and Responsibilities	In person - 5/12/23 Online – 11 <sup>th</sup> & 19 <sup>th</sup> December	1 day	PAP, LPB (Officers optional)	
LGA/Scheme Advisory Board	LGA Governance Conference	Complaint handling SAB update Legal updates RI Regulatory challenges	Hybrid	2 days	LPB, Officers	TBC
CIPFA	Pension Board Annual Conference	SAB update RI and the LGPS	May 2024? Hybrid	1 day	LPB	TBC
PLSA	Local Authority Conference	Pooling Impact investing Asset class updates Governance	17-19 June 2024 In person	2 days	PAP, Officers	TBC in person On demand £250 pp

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
SPS	LGPS Sustainable Investment & other topical issues	<ul style="list-style-type: none"> <li>Consider different investment strategies effective in the new economic environment</li> <li>Hear discussions of the next steps for investment in the LGPS</li> <li>Consider practical approaches to climate and impact investments</li> </ul>	19/10/23	1 day	PAP, Officers (max 3)	No charge
SPS	Property, Infrastructure & Real Asset Investments	Impact of prevailing conditions on performance and prospects ESG/impact/climate considerations Cost and implementation issues	7/12/2023	1 day	Officers (max 3)	No charge
SPS	Annual Bond Investment Conference	Topical investment strategies, opportunities and new ideas available in the bond/credit/fixed income space	11/1/2024	1 day	Officers (max 3)	No charge
SPS	ESG Investment & Current Issues Conference	TBC	14/2/2024	1 day	Officers (max 3)	No charge

Provider	Event title	Areas covered	Date	Duration	Audience	Cost
SPS	Local Authority Pension Funds' Annual Investment Conference	TBC	13/3/2024	1 day	PAP, officers (max 3)	No charge
SPS	Local Authority Pension Funds' ESG & current issues conference	TBC	22/10/2024	1 day	PAP, officers	No charge
LGC	Investment Seminar Investment Summit	Various LGPS updates and manager presentations	March 2024 - Cheshire	2 days	Officers	No charge
			September 2024 - Birmingham	2 days	Officers, PAP	Free places may be available
LAPFF annual conference		Responsible Investment Issues	Early December 2023	2 days	Officers	Charge TBC
DG publishing	LGPS Live	Topical LGPS issues	First Wednesday of every month (PM) online	½ day	PAP, officers	No charge
Fund Manager events LGIM	Client Conference 2023	Risk management Geopolitical issues Sustainability issues AI	3 <sup>rd</sup> October 2023	1 day	Officers	No charge
Newton	Investment Conference	TBC	March 2024	½ day	PAP/LPB/Officers	No charge



Provider	Event title	Areas covered	Date	Duration	Audience	Cost
London CIV	Annual Strategy & RI conference	Drivers of return Asset allocation Affordable housing Private markets LGPS consultation Responsible investment (various)	4 <sup>th</sup> and 5 <sup>th</sup> September	2 days (can attend 1 or both)	PAP/LPB/Officers	No charge
London CIV	Client Training	Artificial Intelligence	3/10/2023	Evening 90 minutes	PAP/LPB/Officers	LCIV

## **Appendix B**

### **LGA Pension Fundamentals Training Sample Agenda**

#### **Day one**

**9.30am – Registration and coffee**

**9.55am – Chair’s introduction to the day**

**10.00am – Duties and responsibilities of Pension Committees and Boards**

- The legislative framework
- Governance arrangements
- Oversight bodies

**11.30am – Coffee break**

**11.45am – Benefit structure**

- The basis of the Local Government Pension Scheme (LGPS)
- Final salary versus CARE schemes
- A tour of the 2014 scheme

**13.00pm – Lunch**

**13.45pm – The legal landscape**

- Local Government Pension Scheme (LGPS) specific duties and responsibilities
- Common problem areas
- Wider duties and responsibilities
- What happens when things go wrong?

**15.15pm – Coffee break**

**15.30pm – Good governance**

- What does good governance look like?
- Mandatory and desirable policies in the Local Government Pension Scheme (LGPS)
- How strategies and policies assist the scheme manager

**16.15pm – Close**

#### **Day two**

**9.30am – Registration and coffee**

**9.55am – Chair’s introduction to the day**

**10.00am – Investment framework**

- The Management and Investment of Fund Regulations

- Investment Strategy Statement including approach to asset pooling
- Funding strategy statement

### **10.45am – Investment basics (part one)**

The different types of investment classes and how they work

### **11.30am – Coffee break**

### **11.45am – Investment basics (part two)**

- Risk and return
- Sustainability

### **13.00pm – Lunch**

### **13.45pm – Responsible investment**

- Drivers of responsible investing
- Climate change
- Other sustainability linked themes
- How to respond as an investor

### **15.00pm – Coffee break**

### **15.15pm – The crystal ball challenge**

- What is growth?
- The outlook for opportunities and risk over the medium and long term

### **16.05pm Close**

## **Day three**

### **9.30am – Registration and coffee**

### **9.55am – Chair's introduction to the day**

### **10.00am – Being a responsible asset owner**

- Stewardship
- Cost transparency

### **11.00am – Coffee break**

### **11.15am – Working together**

- How the local pension board assists the pension manager to meet the administration challenge

### **12.00pm – A view from the bridge**

- The role of the responsible government department
- Issues on the radar

**12.45pm – Lunch****13.30pm – Valuations**

- The purpose of an actuarial valuation
- Assets and liabilities
- How liability calculations work
- The assumptions used

**14.30pm – Coffee break****14.45pm – Funding**

- The importance of a funding strategy
- Different employers – different characteristics and objectives
- Employer covenants

**15.45pm – Close**

## Extract from The Pensions Regulator Knowledge and Skills Self-Assessment

### Trustee knowledge and understanding

# Plan your learning

The Pensions  
Regulator

DB schemes only Learning needs analysis based on the TKU DB and DC scope guidance		Personal development		
<b>Unit 4 – Funding: Defined benefit (DB) occupational arrangement only</b> This includes the principles relating to the funding of DB occupational arrangements and the way in which the funding level is dependent upon the value of both the scheme's liabilities and its assets.				
Knowledge required	Rate my skills 1 – No knowledge 5 – Highly skilled	My objectives	Timescale	Where to go next The relevant Trustee toolkit module and related learning
4a: How the funding for DB occupational scheme works	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> <li>▶ Module: How a DB scheme works</li> <li>▶ Module: Funding your DB scheme</li> <li>▶ Module: DB recovery plans, contributions and funding principles</li> </ul>
4b: How liabilities are valued for different purposes	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> <li>▶ Funding your DB scheme: Tutorials: Valuing the scheme's liabilities, Calculating the liabilities and Impact of assumptions</li> <li>▶ Investment in a DB scheme: Tutorial: Changing asset and liability values</li> </ul>
4c: How the market value of assets is assessed	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> <li>▶ Funding your DB scheme: Tutorial: Impact of assumptions</li> <li>▶ Investment in a DB scheme: Tutorial: Changing asset and liability values</li> </ul>
4d: Funding measures	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> <li>▶ Funding your DB scheme: Tutorials: The statutory funding objective and Valuing the scheme's liabilities</li> </ul>
4e: Potential risks to the ability of the scheme to pay benefits	1 2 3 4 5 <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>			<ul style="list-style-type: none"> <li>▶ How a DB scheme works: Tutorials: Employer covenant and Risks to employer covenant</li> </ul>

<b>Item No.</b> 12.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Responsible Investment Policy	
<b>From:</b>		Senior Finance Manager, Treasury and Pensions	

**RECOMMENDATION**

1. The pensions advisory panel is asked to review and agree the standalone Responsible Investment Policy for the Fund, at Appendix 1 of this report.

**BACKGROUND**

2. A Responsible Investment policy (RI policy) plays an important role in setting out an organisation’s aspirations and approach to both internal and external stakeholders on how it considers various Environmental, Social & Governance (ESG) aspects as part of its investment decision making process. An RI policy can be developed on a standalone basis or can be integrated into the wider Investment policy.
3. An RI policy has various business purposes, including:
  - i. serving as a starting point to discuss the organisation’s position on ESG issues with external and internal stakeholders.
  - ii. clarifying how an investor interprets its fiduciary responsibilities to beneficiaries and others.
  - iii. guiding external asset managers on how they should handle ESG issues.
  - iv. demonstrating the organisation’s responsible investment approach to regulators, and other stakeholders.
4. As a commitment to our focus on net-zero and also given the increasing wider discussions on ESG aspects of business operations, we have developed a standalone Responsible Investment policy (RI Policy) outlining our overall process and approach to making investments to achieve a positive environmental and social outcome, whilst also fulfilling our fiduciary duties to our scheme members.
5. The draft RI policy, at Appendix 1, outlines how the Fund will implement responsible investment strategies considering climate and net-zero as a key investment criteria and, where practical, wider ESG considerations across the end-to-end investment lifecycle.
6. The RI policy is aimed to complement existing Fund documentation – particularly the Investment Strategy Statement.

7. In line with industry best practice, the RI policy covers the Fund's strategy, governance and risk management framework in place to integrate climate change and wider ESG parameters into the investment decision making process. The RI policy also covers various operational aspects of the Fund including research, stewardship, advocacy, ongoing monitoring of issues and reporting.

### **Task Force on Climate-related Financial Disclosures (TCFD) Reporting**

8. As part of TCFD reporting, organisations are required to disclose various aspects of their governance, strategy and risk management functions and processes in place in relation to assessing and mitigating climate-related risks and opportunities in their operations. The RI policy we have developed is a starting point to establishing a robust governance framework in relation to climate change and wider ESG considerations of our investments.
9. In the RI policy, we have outlined an overview of the current governance and the risk management structure in place within the Fund while looking at climate and wider ESG metrics. It is therefore a strong starting point for various disclosure requirements under TCFD and we will be able to leverage a significant portion of the work done in developing the RI policy for preparing the TCFD report.
10. We will build on and expand the initial content we have included in the RI policy, particularly the governance and risk management sections, to align with more detailed disclosures under TCFD. Various other operational aspects of the RI policy such as ongoing engagement with external stakeholders, proxy voting and stewardship, will help to embed best practices in our internal processes and in turn help improve quality and transparency of disclosures under TCFD.
11. Advice has been sought from the Fund's investment advisers and incorporated into the policy.

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

#### **Community Impact Statement**

12. There are no immediate implications arising.

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

13. There are no immediate implications arising.

#### **Health Impact Statement**

14. There are no immediate implications arising.

#### **Climate Change Implications**

15. There are no immediate implications arising.

### Resource Implications

16. There are no immediate implications arising.

### Legal Implications

17. There are no immediate implications arising

### Consultation

18. There are no immediate implications arising.

### Financial Implications

19. There are no immediate implications arising.

## APPENDICES

No.	Title
Appendix 1	Responsible Investment Policy

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Caroline Watson, Senior Finance Manager, Treasury and Pensions	
<b>Version</b>	Final	
<b>Dated</b>	15 September 2023	
<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>
Assistant Chief Executive - Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	19 September 2023	



## London Borough of Southwark Pension Fund – Responsible Investment Policy

### 1. Policy Introduction

As a responsible investor, London Borough of Southwark Pension Fund ('the Fund' or 'us' or 'we') recognises that Environmental, Social and Governance ('ESG') factors are an important part of the investment decision making process. We strongly believe that integrating ESG factors into the investment philosophy and decision-making process will protect and improve the risk profile of the Fund's investments over the long term. The Fund also has its own climate strategy and goals, which are consistent with Southwark Council's target to become net-zero by 2030.

Through its investments, the Fund is looking to generate positive social and environmental impact within a framework of prudence and fiduciary duty. Ultimately, the Fund exists to pay the pensions of its members. However, managing ESG risks is an important contributor to the long-term financial health of the Fund.

In line with the above investment belief, this Responsible Investment Policy ('RI Policy' or 'the Policy') outlines how the Fund implements responsible investment strategies across the investment lifecycle.

The Policy outlines the strategy, governance and risk management framework in place to integrate climate change and wider ESG parameters into the investment decision making process and also covers operational aspects such as research, stewardship, advocacy and ongoing monitoring of ESG issues and its reporting.

The Policy has been reviewed and agreed by the Fund's Pensions Advisory Panel ('PAP'). The Policy will be reviewed annually by officers and external investment advisers, and amended as required. All recommended changes will be approved by the PAP.

### 2. Policy Scope

The Fund invests globally through a range of asset classes, using different investment strategies to invest in multiple business sectors directly and indirectly. This means the Fund's investments are exposed to many different parts of the global economy. The Fund's strategic asset allocation is set out in the table below.

<b>Asset class</b>	<b>Strategic Benchmark %</b>
Global Equity	50.0
Multi-Asset Credit	10.0
Core Property	14.0
Property	6.0
Sustainable Infrastructure	5.0
Alternatives	5.0
Index Linked Gilts	10.0
Cash & Cash Equivalents	-
<b>Total Fund</b>	<b>100.0</b>

This Policy applies to all of the Fund's investment activities across all geographic locations and all asset classes; direct investments, and pooled funds; and all styles including active and passive investments, liquid and illiquid.

The Policy forms an integral part of the Fund's investment governance framework.

### **3. Responsible Investment beliefs**

The Fund believes that investing in well-governed companies that manage ESG risks and opportunities - such as climate change, workforce rights, safety, diversity and inclusion, community initiatives - in their operations and supply chains, will enhance value for its stakeholders over the long term.

The Fund considers that responsible investment practices are entirely consistent with its twin objectives: first, to achieve sufficient long-term returns for the Fund to be affordable and second, to keep the employers' contribution rate as stable as possible.

The Fund recognises responsible investment as taking account of various ESG risks and opportunities at all stages in the investment decision making process from defining the Fund's Strategic Asset Allocation (SAA) through implementation via manager/investment selection and continued engagement and stewardship of Fund assets. Where possible, it is important that appointed managers incorporate climate change and wider ESG considerations into their decision making on asset selection, realisation, and retention.

The Fund will proactively exercise responsible stewardship of assets held and act as a responsible voice in the broader investment community through platforms such as the Local Authority Pension Fund Forum (LAPFF).

The Fund considers the impacts and opportunities provided by climate change on both a Fund and wider social level, and so has a commitment to meeting net-zero carbon emissions from pension fund investment by 2030.

The Fund will pursue innovative investment strategies to generate a positive social and environmental impact from its assets, including advancing the transition towards a net-zero carbon economy.

#### **4.1 Climate Change**

The Fund believes that climate change creates both investment risks and opportunities for the Fund's investments and there is a need to advocate for an orderly transition to a climate resilient economy.

The Fund is committed to achieving net-zero status across its investment portfolio by 2030. In a structured manner, the Fund will transition its current investments to reduced, low and zero carbon products to advance its objective and ultimately meet the net-zero target. The Fund has also committed to having no direct investments in companies with exposure to fossil fuels.

#### **4.2 Other ESG considerations**

ESG refers to a broad range of factors that individually or collectively influence the risk-return characteristics of the Fund's investments. As part of its investment decisions, the Fund will consider those factors that are material.

*Environmental* – in addition to climate change and the Fund's focus on reducing the carbon footprint of its portfolio in line with its 2030 net-zero strategy, the Fund will also consider other environmental aspects including, but not limited to: resource usage, waste and water management practices, biodiversity, and energy efficiency. These wider environmental parameters also need to be managed whilst taking advantage of new opportunities as the world transitions to a low carbon economy.

*Social* – the way in which companies and enterprises manage their operations with respect to employee diversity, labour market practices, health and safety, product liability and supply chain management including modern slavery and wider human rights, can be an investment risk.

*Governance* – Governance risks are a long-term threat to investor value and include such things as board composition, director incentives and general remuneration, transparency and accountability of senior management and ESG oversight. The Fund is a long-term member of the LAPFF, which promotes the highest standards of corporate governance to protect the long-term value of local authority pension funds. The Fund will look at good governance practices across such parameters for all asset classes, e.g. periodic disclosures, review of the RI policy, developing additional business policies and processes as required.

Through ongoing discussions, the Fund will periodically monitor how its investment managers are engaging with investee companies about all the ESG issues outlined above as part of the investment management process.

#### **4.3 UN Principles for Responsible Investment**

Proactively, where possible, the Fund will also consider the following principles laid out by UN Principles for Responsible Investment ('PRI') as part of its investment lifecycle:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of PRI within the investment industry.
- Principle 5: We will work together with other members to enhance our effectiveness in implementing PRI.
- Principle 6: We will report on our activities and progress towards implementing PRI.

The Fund may provide support to, or endorse, other external organisations and commitments that further enhance its approach to responsible investment in the best long-term financial interests of its members.

#### **4. Governance & Responsibilities**

Southwark Council, as administering authority for the Southwark Pension Fund, has delegated responsibility for the management and decision making for the Fund to the Strategic Director of Finance ('S151 officer'). Overall decision making and governance of the Fund is a bipartite mutual responsibility between the Strategic Director of Finance and the Pensions Advisory Panel (PAP).

PAP is responsible for agreeing the Policy and for ensuring oversight, accountability and effective application of the Policy. The S151 officer considers advice from PAP whilst being responsible for all investment decision making, ongoing investment monitoring and risk management. The Local Pension Board ('LPB') will also review the suitability of, and compliance, with the Policy as part of its scrutiny function.

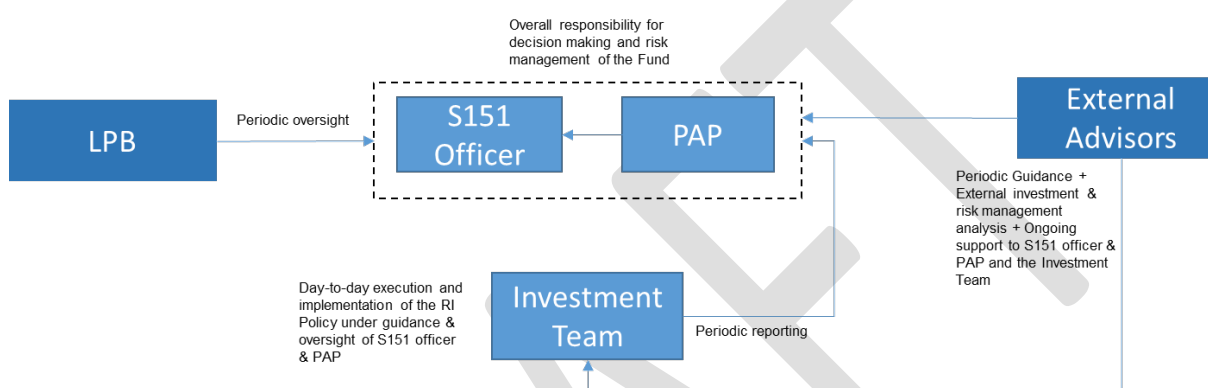
The responsibility for establishing the Policy lies with The Pension Investments Team ('the

Investments Team'), incorporating the advice of the Fund's external investment advisers and considering various regulatory requirements.

The Investments Team is also responsible for implementation and ongoing monitoring of the Policy. Execution of investment mandates, including the stewardship activities, advocacy, monitoring and reporting of these investment mandates, has been delegated to external investment managers. The Investments Team is responsible for initial oversight of the external investment managers.

The Strategic Director of Finance and the PAP are ultimately responsible for the overall governance and oversight of external partners that the Investments Team work with.

Summary of the Governance and responsibilities of various internal and external stakeholders is captured below:



## 5.1 Internal Governance

Responsibilities for internal governance are as follows:

- PAP/Investments Team: Responsible for high-level assessment – is the investment policy working to meet the objectives expressed in the investment strategy?
- PAP: Responsible for overseeing and monitoring execution and implementation of this Policy, including any periodic revisions, as required
- Investments Team: Responsible for the development and implementation of the Policy throughout the investment lifecycle and effective risk management across the investment portfolios.
- ESG Manager/Investments Team: Responsible for ESG inputs and review across all stages of the investment process to ensure the Policy is effectively implemented by external investment managers. The ESG manager/Investments Team also manage day-to-day aspects of the Policy, including ESG reporting, data collection, etc.

The Fund aims to integrate consideration of ESG issues throughout all aspects of the investment decision making process, including modelling and setting investment strategy and monitoring the Fund's investment managers. The PAP are supported in these aims through regular and ongoing input from, and engagement with, the investment advisers.

The PAP and Investments Team undertake periodic training on responsible investment to understand how ESG factors, including climate change, could impact the value of the Fund's assets and liabilities and employer contribution rates.

## 5.2 Expectations and monitoring of Investment Managers

Responsible investment is a component of the Fund's investment manager selection and appointment process. The Fund will work with investment managers that have sound ESG practices (ESG disclosures, signatory to various ESG initiatives and standards, external assurance on ESG disclosures, etc.) or are actively developing/evolving their approach, which allows it to accommodate managers at different stages in their responsible investment journey.

Investment managers are appointed after a selection process in accordance with Southwark Council's procurement rules, applicable external regulations and alignment with the Fund's net-zero and wider ESG criteria. PAP makes recommendations to the Strategic Director of Finance on the appointment of new investment managers, after receiving appropriate advice from the Fund's investment advisers.

The majority of the Fund's investments are in pooled funds which have been chosen because they are a good match to the Fund's objectives, including the management of climate and other ESG risks. Where segregated mandates are in place with external managers, the Investment Management Agreement (IMA) details the specific requirements for responsible investment, including reporting and monitoring requirements.

The PAP expects the Fund's appointed fund managers to be transparent in their approach, including their approach to stewardship, how they integrate ESG into their investment decision making process and consideration of ESG matters in their own operations. The Fund will work with and encourage investment managers to be part of and adopt recommendations of and align with external initiatives such as the UNPRI, UK Stewardship Code, etc. After an investment manager has been selected, the Investments Team will continue to engage with the manager and periodically monitor the integration of ESG practices into their operations and the Fund investments.

In the event that any fund manager or service provider does not meet any of the expectations listed in this Policy, the Investment Team will engage with the respective stakeholders to encourage improvements in processes, transparency or activity as required. The PAP will consider appropriate inaction in case of failure of the investment manager to align with the Fund's ESG expectations over a recurring period of time.

### Segregated Investments and Pooled Funds

Segregated mandates afford the Fund a greater level of control. They provide greater transparency and the ability to actively engage with both investment managers and the underlying companies on responsible investment.

Some investments can only be accommodated in pooled arrangements. Where possible, the Fund uses its influence to ensure the terms of the pooled vehicles are aligned to its needs and will seek to incorporate the Fund's approach to responsible investment in the governing documents.

## 5. Risk Management

The Fund follows a business risk management framework that includes ongoing assessment of climate and wider ESG-related risks. The Fund seeks to identify and assess such risks at Fund and asset level, where possible. The Fund uses the best available information from both internal and externally available resources to assess such climate and ESG-related risks to investment performance.

The ESG Manager/Investments Team are responsible for identifying and managing climate

risks and wider ESG risks in the investments. They engage with Fund managers on an ongoing basis for this.

The ESG Manager/Investments Team discuss the risk assessment findings with PAP. PAP is responsible for providing a suitable framework and guidance to the ESG Manager/Investments Team to assess and challenge (where required) the identified risks and exposure in aggregate at the board level.

Through regular assessment and overview, the ESG Manager/Investments Team monitor ESG risks across its investment portfolio and take appropriate mitigation measures in consultation with the PAP and the Strategic Director of Finance in line with the Fund's wider risk framework and risk appetite across the material ESG risks indicators.

The LPB and external audit process provide a helpful oversight of the risk management processes implemented by the Fund. It provides an independent assessment of the risk management and oversight of the activities undertaken by the ESG manager/Investments Team and the PAP.

The PAP will continue to seek advice and information from its advisers on how to develop the Fund's approach to climate risk mitigation and management over time.

## **6. ESG Integration**

Integration of responsible investment principles as outlined above is the structured inclusion of ESG considerations into financial analysis and decision making across the investment lifecycle. This enables ESG risks and opportunities to be identified and factored into the risk-return assessment for an investment.

The Fund believes this is most appropriate given the ongoing increase in size and diversification of the Fund's investments across the global economy. It enables the Fund to use its ownership interests in listed and unlisted companies to influence their behaviour.

The Fund's investment advisors highlight appropriate opportunities to invest in responsible investment strategies and the PAP will give due consideration to any proposals.

As part of each formal investment strategy review, the PAP will consider RI issues, including the merits of strategies which seek to generate not only positive financial returns, but also seek to make a wider positive impact on society.

### **7.1 Exclusions**

Where appropriate, the Fund excludes particular companies, sectors or asset types which are not in line with the investment principles on climate change or the wider ESG parameters. Since 2016, the Fund has committed to having no direct investments in companies with exposure to fossil fuels, steps have been taken to adapt or replace mandates to enable the achievement of that goal.

Any proposed exclusions assessed in the best financial interests of stakeholders require approval by PAP. These circumstances include:

- If an investment is inappropriate to the extent that it may have a negative impact on the Fund's long-term investment return objective.
- If an investment is inappropriate to the extent that it may have a material negative impact on the Fund's reputation.
- If the investment would lead to contravention of international treaties or conventions.
- In cases where it is deemed not possible to influence a company through engagement

or proxy voting.

The Fund will continue to engage in active discussions with the investment managers to exclude assets in sectors like oil & gas, mining or tobacco. As necessary, required approvals will be obtained to transition current investments in these potentially excluded categories to more ESG-focused investments.

## **7.2 Stewardship**

The Fund seeks to influence the companies and assets in which it invests through engagement and voting. The purpose is to enhance long term value creation and minimise risks.

The PAP approves the stewardship strategy. The Fund's public Stewardship Statement provides an overview of the Fund's stewardship activities in accordance with the recommendations from LAPFF and the UK Stewardship Code.

The Fund acknowledges the additional responsibility of its influence through ownership in multiple assets globally. The Fund engages with a broad range of stakeholders including its investment managers and indirectly with the listed and unlisted companies in which it invests through the investment managers.

The Fund employs a flexible approach to stakeholder dialogue. Engagement can be undertaken directly, in collaboration with other investors, or through external service providers. Engagement priorities and methods can depend on a variety of factors. These include the type of stakeholder, ability to influence, nature of the issue, geographic location of the companies or assets, size of holdings, asset class and weight in the portfolio.

In instances where engagement is considered to be unsuccessful the Fund will escalate the matter in accordance with the Funds' escalation process. The Fund expects that its investment managers will actively engage on responsible investment issues, with listed and unlisted companies or seek to influence the broader market, as appropriate for the Fund's net-zero and wider ESG considerations in-line with this Policy.

## **7.3 Proxy Voting**

Voting at a company's annual general meeting is where the Fund can exercise its shareholder rights to influence and encourage better corporate business practices among its investee companies.

The Fund has internal guidelines approved by the PAP which outline its approach to proxy voting. The Fund applies a consistent approach to voting at all company meetings in all markets globally for its directly held investments. The Fund has a governance process for vote decision making through investment delegations, annual strategy reviews and reporting.

Where possible, the Fund takes an active approach when voting on resolutions for companies and directly held global equities. In determining voting decisions, a variety of inputs are sought. In all cases, the Fund forms its voting decision based on the long-term financial interests of members and in line with the responsible investment principles. Guidance and recommendations of the LAPFF are also considered while engaging in direct voting or engaging with external investment managers for proxy voting purposes.

In various instances, the Fund's external investment managers also vote on the Fund's behalf. The PAP expects its managers to exercise the Fund's voting rights to the fullest extent possible. In such instances, the Pensions Investments Team regularly interacts with the external investment managers to ensure the voting is consistent and in-line with the Fund's internal guidelines.

The Investments Team reviews the stewardship activities of the investment managers on an annual basis with input from the Fund's investment adviser and engages with managers as required.

#### **7.4 Advocacy**

The Fund undertakes advocacy with the aim to influence and promote a shift towards a sustainable financial system. The focus is primarily on influencing standards, guidelines and regulatory reform that support long-term value creation for our members' retirement. The Fund has a preference to undertake advocacy through collaboration with other stakeholders like LAPFF.

The Fund will monitor the advocacy activities of its member organisations and fund managers through participation on committees, board representation and through periodic reviews and consultations.

Advocacy can include a variety of activities including engagement with and submissions to government, regulators or other rule making bodies, commissioning and publishing research and industry wide campaigns.

#### **7.5 Collaboration**

The Fund recognises that, through collaboration with others, it can share knowledge and learnings and manage resources more effectively. The Fund will continue to collaborate with a wide range of stakeholders and market participants and also participate in various industry initiatives, networks and forums to improve management of systemic ESG risks and to advance its net-zero agenda.

The Fund is also fully committed to collaborating with other local authority partners including the London Collective Investment Vehicle (LCIV), LAPFF, and any other private or government body to advance impact in line with its responsible investment principles.

### **7. Monitoring & Disclosure**

Since 2017, the Fund has been proactively disclosing the carbon footprint of its investments. The Fund will continue to take a leadership role on transparency and disclosure and will report its responsible investment activities, progress and outcomes to all stakeholders through the Fund's website and annual reports.

This includes information associated with the Fund's net-zero goal and material ESG parameters. Where required, the Fund's public disclosures will also be assured by external third parties.



<b>Item No.</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Pension Services – Administration Function Update	
<b>Ward(s) or groups affected:</b>		None	
<b>From:</b>		Pensions Manager, Finance	

### RECOMMENDATION

1. The pensions advisory panel (the Panel) is asked to note this update on the pensions administration function.

### BACKGROUND INFORMATION

2. The Panel received an update in July 2023 which set out specific information on recruitment, IT/systems, National Dashboard Programme, communication initiatives and complaint management.

### RECRUITMENT

3. Senior Pensions Officer interviews were concluded in July resulting in the appointment of an experienced officer currently employed at Mercers. Expected start date is 6 November. There remains a number of vacancies within the admin team and a further recruitment exercise is being planned using a combination of Southwark recruitment and two specialist pension recruiters.
4. A new Data Systems Manager, Rikish Ramkisoorn, has now been appointed. A recent recruitment exercise for Senior Data/Data Officer roles has just concluded with a number of strong candidates being identified. We are therefore hopeful that two new appointments can be made. Further updates will follow.
5. Given the sheer volume of work now happening within the Data Team, further resourcing will most likely be necessary to ensure the pension fund's system/IT needs can be met around Employer Hub and future planned work such as the National Dashboard Programme.
6. In conjunction with Southwark's apprenticeship programme, an Assistant Pensions Officer was appointed in August, where a two year programme of study will be combined with mentoring and development within the Pension Services team.

## **IT/SYSTEMS**

7. Ongoing 'end to end testing' continues on our admin software to ensure all data fields were properly captured as part of the original data migration.
8. Particular emphasis has been placed on Employer Hub as many employers are not uploading their monthly/year-end data correctly. We have also identified a number of issues with the Council's additional pension contract data coming directly from SAP and are in the process of rectifying this. Although this affects only a small proportion of the membership who pay AVCs, APCs or have an old added years' contract, the impact affects all members as the upload usually fails.
9. Ongoing data/IT remediation work does not affect BAU/transactional work (processing retirements, death benefits etc.) within the admin team. It does however mean additional quality assurance checks are in place, and it is restricting the wider team on other value add project work such as AVC reassessment.
10. We are now working with Convera (formerly Western Union's overseas division) and gone live with a new BACS overseas payment service to ensure pensioners living abroad can receive their pensions directly into their overseas bank account. In the past cheques were issued which could potentially take weeks to clear or get lost in the post. This is good news as most UK banks, have, for some time been closing down UK bank accounts for anyone residing abroad.
11. We await the results of a Cyber Risk assessment against the new pension fund software. An independent review is being undertaken by Aon, and we will update the Panel and Local Pension Board in due course.

## **PROGRESS TO SEPTEMBER 2023**

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

## **COMMUNICATION INITIATIVES**

12. Annual Benefit Statements (ABS) for deferred members were issued in late August 2023. ABS for active members has been delayed due to additional data checking that has been deemed necessary and because many employers uploaded incorrect year-end data to the Employer Hub. The delay has been reported to the Pensions Regulator as a legal breach and no further action is expected. The majority of statements are scheduled for issue in October followed by a further phase in November 2023.
13. Annual Allowance (AA) statements are on track for distribution in early October 2023 (covering the 2022/23 financial year). Despite the recent tax changes (where the standard Annual Allowance increased from £40,000

to £60,000) we still expect many Southwark staff to breach the AA resulting in a tax charge.

14. Weekly training (in various formats) continues to be provided to Southwark and London Borough of Haringey pension fund staff. Berkshire Council has now also requested to join the training sessions.

## COMPLAINT MANAGEMENT

15. A list of recent complaints and how they have been managed is set out below:

- 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 medical assessment, but the employer makes the final decision. **An update has been requested from Schools HR but we understand the matter is still with the Ombudsman pending a formal decision.**
- Pensions Ombudsman single complaint - a cohabiting partners' pension claim and a claim for the death grant was made against the pension fund where the applicant alleged that both he and the deceased were financially dependent on one another and living together as husband and wife, however there was no evidence of that. **A formal response has now been provided to the Ombudsman for consideration.**
- IDRP stage 1 - approximately 10 formal complaints remain with the Council concerning claimed incorrect employee pension deductions made from the Council's payroll system. All complaints are with Council HR as the stage 1 adjudicator. The pension fund is monitoring and is aware of Union involvement in some cases. **In the absence of any formal responses the pension fund may write to the employer and suggest that all cases are removed from IDRP and are dealt with as individual employer appeals. The Director of HR and People is attending the next LPB meeting in October and is expected to provide a response and update on this particular matter.**
- IDRP stage 2 single complaint - dispute over the distribution of death grant between siblings. No Expression of Wish form was held on file and the Last Will and Testament/Death Certificate provided indicated a sole Executor and next of kin was dealing with the deceased's estate. The stage 2 adjudicator reviewed the evidence and additional information supplied but upheld the stage 1 decision as being reasonable confirming the pension fund had absolute discretion when making death grant payments and it had acted properly when dealing with the Executor whose role was to distribute any death benefits. **Complaint not upheld and closed.**

- IDRP stage 1 single complaint - transfer delay from Southwark to another LGPS employer. Late notification of resignation/departure from a former employer (School) caused initial delay in calculating member benefits. There was a further delay caused by transfer factors being changed by the Government Actuaries Department. **Stage 1 response upheld complaint in part but there was no actual financial loss as interfund transfer value has no direct effect on LGPS service awarded under receiving arrangement.**

## PERFORMANCE MONITORING

Admin performance metrics will be reinstated once UPM data migration issues have been fully resolved. However, the admin team has been recording all workflow outside of the admin system since August and full details will be provided to the Local Pension Board in October 2023.

Despite the absence of admin performance metrics in recent months, the Pensions Manager is confident that no material breach has occurred. All financially sensitive transactions around payroll cut off dates (retirements, death benefits) have been processed on time.

Going forward, performance metrics will be extended to cover other key areas of the wider service including Payroll and First Contact. See examples provided to the Board for the period ending June 2023.

## FUTURE WORK PLANNING

16. Due to existing resourcing levels across Pension Services, a work plan and their implementation timeframes are still to be signed off by the Pensions Manager.

## CONCLUSIONS

17. Recruitment and retention of key staff with the necessary skills is critical to the achievement of all future plans, as is succession planning.
18. 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.
19. Performance monitoring remains an important part of the pensions function. The procurement of Civica UPM software will allow Pension Services to develop much improved workflow and task management in the future, where more detailed Management Information can be extracted around performance.

## **KEY ISSUES FOR CONSIDERATION**

### **Policy framework implications**

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

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

#### **Community impact statement**

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

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

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

#### **Health impact statement**

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

#### **Climate change implications**

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

#### **Resource implications**

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

#### **Legal implications**

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

#### **Financial implications**

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

#### **Consultation**

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

## **APPENDICES**

<b>No.</b>	<b>Title</b>
Appendix 1	Payroll Stats/Metrics for 3 month period ending June 2023
Appendix 2	Pensions Queue Performance April 2023

**AUDIT TRAIL**

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Barry Berkengoff, Pensions Manager, Finance	
<b>Version</b>	Final	
<b>Dated</b>	19 September 2023	
<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>
Assistant Chief Executive – Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	19 September 2023	

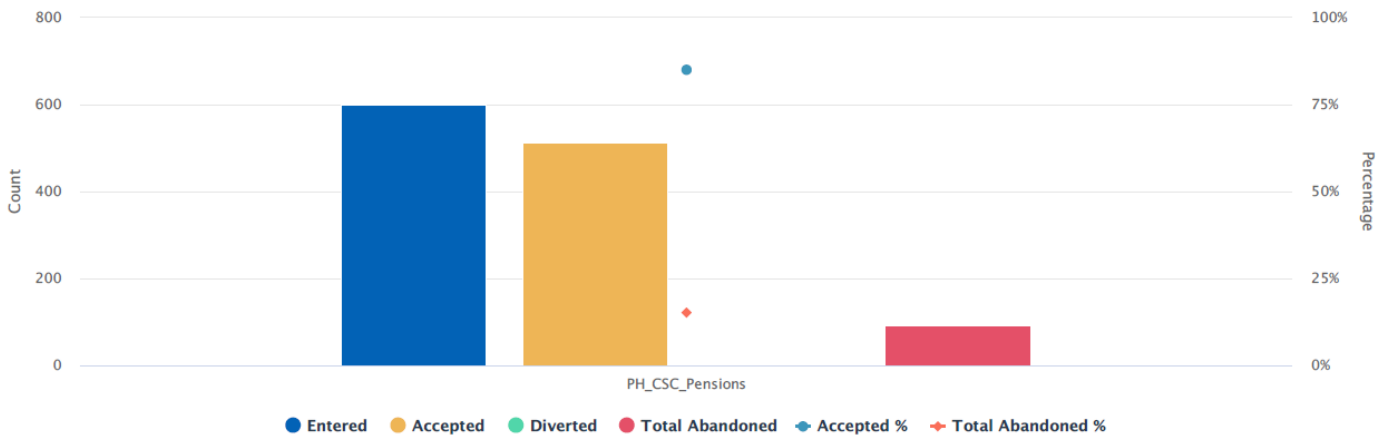
### Southwark Pension Fund - Payroll Stats/Metrics for 3 month period ending June 2023

	April-23	May-23	June-23
Main pensions payroll paid - Due 20th of each month	20/04/2023	19/05/2023	20/06/2023
No. of new starters	28	23	33
Overpayment recovery through the pension payroll	£177.43	£3,017.89	£6,001.34
No. of BACS payments	7,722	7,708	7,737
BACS total	£4,120,554.79	£4,203,175.66	£4,254,993.28
No. of cheque payments	8	9	10
Cheque total	£2,749.05	£3,685.93	£4,646.32
No. of direct Overseas payments made	41	41	38
Overseas payment total	£17,047.47	£19,099.03	£16,846.49
No. of single payments made	46	49	76
Single payments total	£1,749,675.11	£2,279,546.64	£2,560,011.82
Financial year closed within UPM	n/a	n/a	n/a
Annual Pension Increase progress	Main PI run through UPM	Deferred PI run through UPM	n/a
P60 - deadline 31/05 annually	n/a	Posted out 19/05	n/a

Pensions Queue performance

April 2023

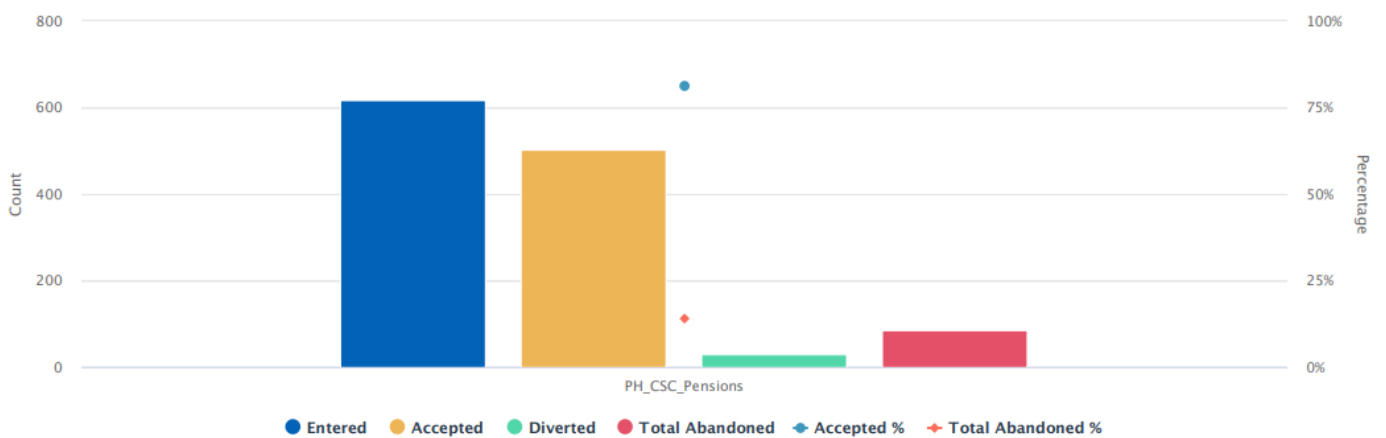
Queue Interactions Summary Template (copy)



Queue	Entered	Accepted	Diverted	Total Abandoned	Average Wait Before Accept Time	Average Handling Time	Accepted %	Total Abandoned %
PH_CSC_Pensions	601	511	0	90	0:05:12	0:07:49	85.02%	14.98%
Queue Subtotal	601	511	0	90	0:05:12	0:07:49	85.02%	14.98%

May 2023

Queue Interactions Summary Template

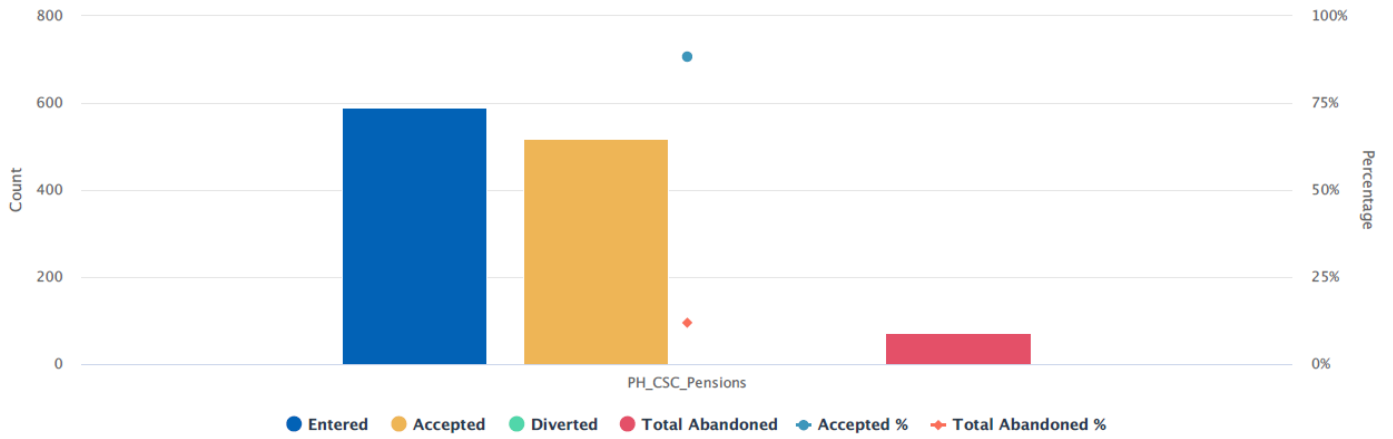


Queue	Entered	Accepted	Diverted	Total Abandoned	Average Wait Before Accept Time	Average Handling Time	Accepted %	Total Abandoned %
PH_CSC_Pensions	619	504	29	86	0:04:14	0:07:13	81.42%	13.89%
Queue Subtotal	619	504	29	86	0:04:14	0:07:13	81.42%	13.89%

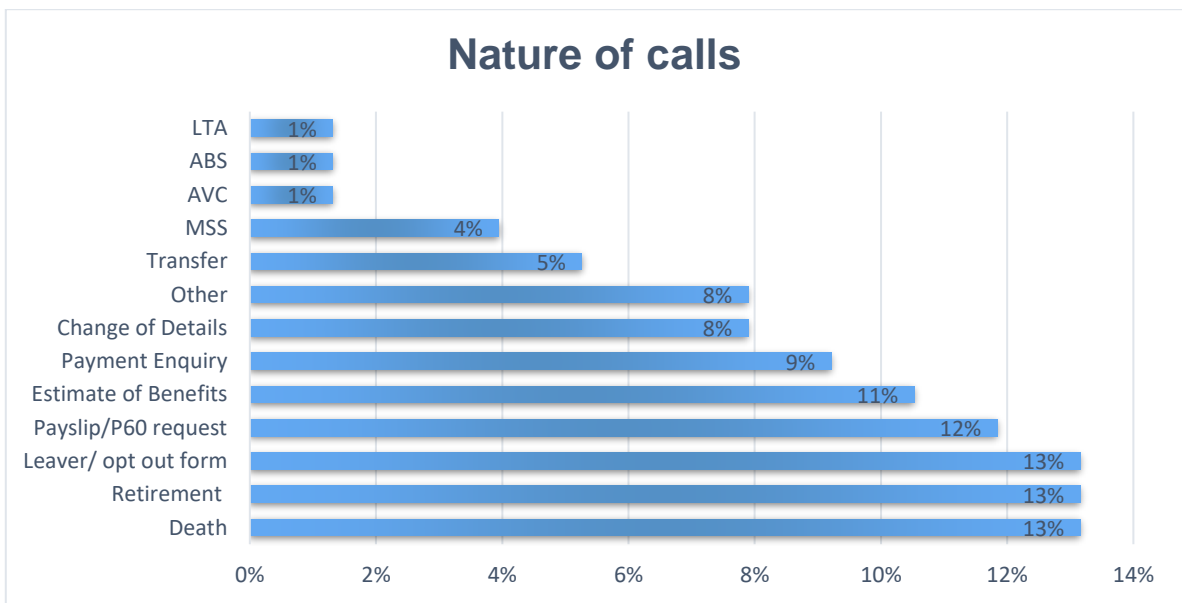


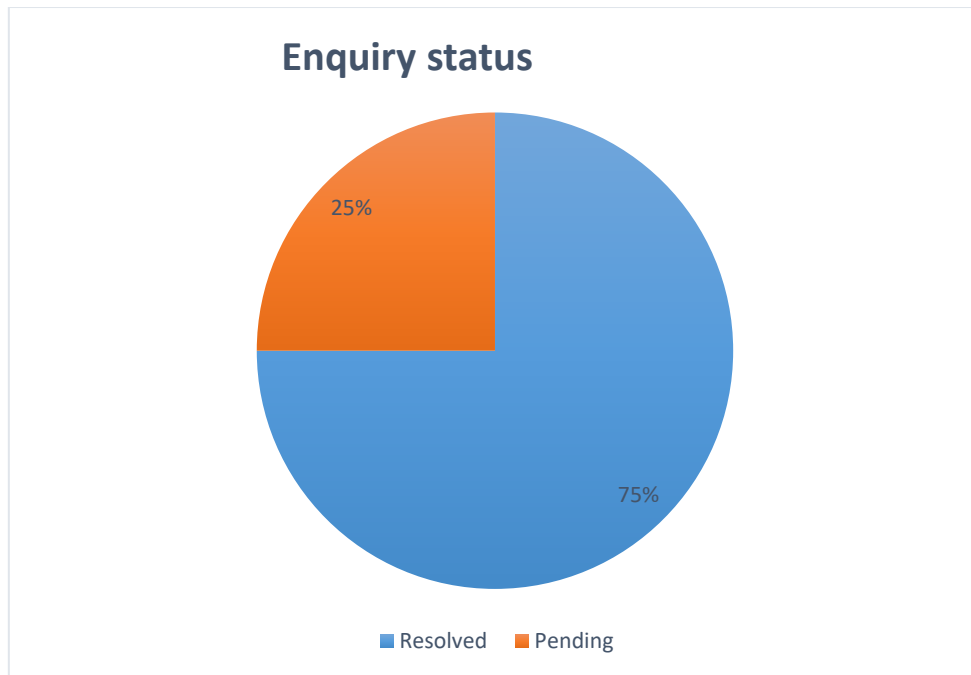
### June 2023

Queue Interactions Summary Template (copy)



Queue	Entered	Accepted	Diverted	Total Abandoned	Average Wait Before Accept Time	Average Handling Time	Accepted %	Total Abandoned %
PH_CSC_Pensions	588	518	0	70	0:03:58	0:07:53	88.10%	11.90%
Queue Subtotal	588	518	0	70	0:03:58	0:07:53	88.10%	11.90%





A call analysis has been carried out to identify the reason for members calling and if their enquiry has been fully resolved on first call or remains pending after the call.

Three quarters of all enquiries were resolved on the first call with 25% going into pending due to having to follow up on cases and liaise with other teams.

The reasons for calls vary but leavers/opt out forms, retirements and death ranked the highest.

Leaver forms have a tendency to be quite challenging with external employers, as we require the members up-to-date pay information. This may involve multiple attempts to contact employers and, on occasion, can cause delays.

Death calls account for death notifications and death benefits enquiries, which include a death grant and a survivor's pension.

This analysis provides a brief overview of the pension calls received and can be used as an indicator to show that telephony is an important point of first contact for our members (particularly retired members).

Contact from other enquiry sources also include website, post/mail and emails.

<b>Item No.</b> 14.	<b>Classification:</b> Open	<b>Date:</b> 27 September 2023	<b>Meeting Name:</b> Pensions Advisory Panel
<b>Report title:</b>		Update on the Local Pension Board	
<b>From:</b>		Chair of the Local Pension Board	

## RECOMMENDATION

1. The pensions advisory panel (PAP) is asked to note the update from the local pension board (LPB) meeting of 10 July 2023.

## KEY AREAS OF DISCUSSION

2. Aon representatives provided a training session on Equality, Diversity and Inclusion and how it can benefit London Borough of Southwark Pension Fund.
3. The main business included an update on Pension Services, an audit into fund manager cyber security, the breaches log, an update on current LGPS issues, an investment update and an update on the upcoming Local Pension Board (LPB) training plan.

## Pension Services

4. An update was provided around staffing within the Pension Services function as a data officer has resigned. This role has gone to recruitment and a new Senior Pension Officer has recently been hired.
5. There was discussion around the underlying reasons for the difficulty in hiring new staff for the service, particularly regarding salaries. The manager for the function confirmed that salaries are in line with other LGPS funds but struggle to compete with the private sector.
6. There was a discussion on the impact of staff shortages on the work of Pension Services. Operational activities have not been impacted but there are delays on value-adding work. It was also noted that information on key performance indicators continues to be unavailable.
7. An update on Pension Services IT Systems was provided, noting that it had been agreed with Civica that some retrospective testing should be undertaken following the initial implementation of legacy data. A working group has also been set up with other local authorities who have engaged with Civica in order to mitigate further issues.

### **Fund Manager Cyber Security**

8. A report outlining the results of an annual audit of cyber security policies of the Fund's custodian, banking provider and investment managers was completed to assess their alignment with national Cyber Security Standards.
9. The report showed an improvement in alignment from the 2022-23 audit. Officers assured the Board that policies would continue to be monitored.

### **Breaches Log**

10. An update was provided on any new items added to the Breaches Log.
11. A member of the Board queried if the outstanding unaudited Statement of Accounts should be included as a breach, but was assured that as this sits outside of the Pension Fund's control, it does not need to be added as a breach.

### **Current LGPS Issues**

12. Both the TCFD Disclosures and the Pension Regulator's General Code of Practice have been delayed, with no new date provided for the General Code and a suggested implementation for TCFD in 2024.
13. The Board were informed that the Fund intended to complete a shadowing year ahead of the implementation of TCFD so it would be prepared once the disclosures became mandatory.

### **Investment Updates**

14. An update was provided on the intention to invest £100million in Robeco's multi-asset credit fund. Since this meeting, this investment has been completed and the funds have successfully been transferred to Robeco, funded by a divestment from the fund's legacy investment in a diversified growth fund.
15. Further updates were given on the recent investment of £30million in Darwin Leisure Services fund.

### **Local Pension Board Training Plan**

16. The Board were informed of the intention to build a fund-wide business plan that would cover both the LPB and the Pension Advisory Panel and would be used to inform a more structured training plan for the fund.
17. Suggestions were made to organise a meeting for senior officers across the Fund to discuss further training requirements once this business plan is formalised.

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

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

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

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

**Health impact statement**

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

**Climate change implications**

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

**Resource implications**

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

**Legal implications**

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

**Financial implications**

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

**Consultation**

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

## AUDIT TRAIL

<b>Lead Officer</b>	Clive Palfreyman, Strategic Director, Finance	
<b>Report Author</b>	Mike Ellsmore, Chair of Local Pension Board	
<b>Version</b>	Final	
<b>Dated</b>	18 September 2023	
<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>
Assistant Chief Executive – Governance and Assurance	No	No
Strategic Director, Finance	No	No
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	19 September 2023	

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**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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