

## Pensions Advisory Panel

MINUTES of the OPEN section of the Pensions Advisory Panel held on Tuesday 8 September 2020 at 10.00 am at Online/Virtual

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**PRESENT:** Councillor Victoria Mills (Chair)  
Duncan Whitfield  
Caroline Watson  
Chris Cooper  
Julie Timbrell  
Barry Berkengoff  
Susan Greenwood  
David Cullinan

**OTHERS  
PRESENT:** Tom Bacon  
Mike Ellsmore  
James Gilliland  
Andrew Weir

### 1. APOLOGIES

Apologies were received from Councillor Jon Hartley and Councillor Eliza Mann.

It was noted that Councillor Mann had technical problems accessing the meeting. Both Andrew Weir and Duncan Whitfield attempted to assist a number of times during the meeting.

### 2. CONFIRMATION OF VOTING MEMBERS

Councillor Victoria Mills, Caroline Watson and Barry Berkengoff were confirmed as voting members.

Everyone introduced themselves.

Duncan Whitfield thanked Councillor Mills for all her work and contributions during her time as the chair of the pensions advisory panel.

**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 28 July 2020 be agreed as a correct record.

**6. ASSET ALLOCATION JUNE 2020**

Caroline Watson briefly introduced the report.

**RESOLVED:**

That the fund's asset allocation at 30 June 2020 be noted.

**7. CARBON FOOTPRINT UPDATE**

Caroline Watson introduced the report. She advised that the Fund engaged Sustainalytics to assist with an up to date assessment of the CO2 equivalent exposure of its equity holdings as at 31 December 2019. This was conducted on a consistent basis to the assessment undertaken by Sustainalytics as at 31 December 2018, thereby enabling a meaningful comparison year on year.

The assessment concluded that the Fund had reduced its carbon exposure by 38% since September 2017.

It was noted that the data regarding carbon emissions was now much more accurate than it had been historically.

It was also noted that the Blackrock Fund does not exclude fossil fuels.

**RESOLVED:**

That the carbon footprint update be noted.

## **8. BLACKROCK LOW CARBON EQUITY TRACKER FUND**

Caroline Watson advised the panel of the background relating to this item.

At the January 2018 meeting PAP agreed the following proposal: to transition an initial 50% of the existing developed market equity investments (c£135m) managed by Blackrock to a new Low Carbon Target Developed Market Index Fund also managed by Blackrock.

It was agreed that the performance of the new Fund would be reviewed over time, with a view to transitioning the remaining 50% of developed market equity investments held with BlackRock once the Fund was able to seek assurance that investment return would not be negatively impacted by this change.

David Cullinan noted that if the Fund reduced its exposure to oil related companies then volatility would reduce as they tend to be volatile stocks.

Duncan Whitfield advised that the pensions advisory panel was being asked to formalise what had previously been agreed.

Councillor Mills stated that the proposals in the report seemed to be the best next step for the Fund.

Susan Greenwood advised that the recommendations in the report would be the best decision for now.

### **RESOLVED:**

1. That the performance of the BlackRock Low Carbon Equity Tracker Fund to date be noted
2. That the enhancements to the Blackrock Low Carbon Equity Tracker Fund, including the introduction of fossil fuel screens to be implemented in quarter one 2021, be noted.
3. That the investment of the remaining developed market equities (c£150m) invested by BlackRock into the enhanced BlackRock Low Carbon Equity Tracker Fund be agreed.

## **9. INVESTMENT STRATEGY REVIEW**

Caroline Watson addressed the panel on the investment strategy review. She advised that the 2019 actuarial valuation determined the Southwark fund was 100% funded. This compared to 88% funded at the previous valuation in 2016.

Caroline reminded the pensions advisory panel of the outline investment strategy proposals that had been agreed by the panel at the February 2020 meeting.

Caroline then ran through the implementation and next steps. She advised that members would receive training on all new asset classes and products in advance of any required decisions being made.

David Culliman raised the point that the name 'alternatives' (point 4 of the next steps) was too broad and that another name should be considered.

Susan Greenwood advised that this could be given some thought. She further added that the investments being looked at would be a broad basket in relation to 'alternative' investments and that flexibility was needed.

Chris Cooper asked that ESG was reflected in what point 4 of the next steps was called.

Mike Ellsmore requested that pension board members be included in any training. He also made the point that the fund had moved fundamentally on ESG and also asked if the London CIV would fit into the manager selection process.

Susan Greenwood advised that the CIV currently did not have the ESG focus that the Southwark fund wanted but that might change and could be considered in the future.

There was discussion regarding the sale of absolute return bonds and alternative defensive products. Chris Cooper requested that defensive investment options in the London CIV be looked into.

**RESOLVED:**

1. That the progress to date regarding the investment strategy review be noted
2. That the outcome of the review conducted by Mercer of the assumptions set previously for the investment strategy review be noted.
3. That the proposed approach to the implementation of the investment strategy review be agreed (subject to a new name for alternatives/growth blended alternatives).

**10. ANNUAL ILLIQUID INVESTMENTS REVIEW**

Tom Bacon updated the pensions advisory panel regarding illiquid assets and ran through the fund's investments in this asset class. It was noted that a number of the mandates were in the early stages of deployment and that there were no material issues to flag up. It was recommended that the panel monitor these mandates over the coming years as more investments are deployed.

There was a discussion regarding moving assets that were invested in closed end funds to sustainable infrastructure funds in the future, as suggested by Councillor Mills.

Chris Cooper asked that a mechanism for feeding back on closed end funds be looked into.

David Cullinan and Caroline Watson advised that closed end funds accounted for around 1% of the fund and that it would take a considerable amount of time and resources to do this for something that accounted for a small part of the fund.

Tom Bacon added that illiquid funds don't change from quarter to quarter and that the fund is locked in for the duration.

It was noted that the Fund could look at the London Collection Investment Vehicle (CIV) pot for possible investments.

**RESOLVED:**

That the annual illiquid investment review be noted.

**11. PENSION SERVICES - ADMINISTRATION FUNCTION UPDATE**

Barry Berkengoff presented the report and updated the panel on the performance of Pension Services and on a number of the team's initiatives.

Barry advised that a decision had been made to bring all telephone enquiry work with Contact Centre (Queens Road) under Pension Services control.

He also updated the panel regarding new pensions administration software that had been procured. Barry advised that Civica's Universal Pensions Management (UPM) solution was considered the only way to meet the pension funds strategy of improving pension software operational efficiency, member self-service, and employer accessibility, all through digital means. Contract was finalised on 27 August 2020.

Additionally, as part of the decision to procure Civica UPM, pensioner payroll (currently paid through SAP by the council) will be integrated within Pension Services for further efficiencies due to UPM's single integrated database. Pensioner Payroll is expected to go live around May 2021.

In relation to flexible retirement arrangements, Councillor Mills advised that she'd had a good meeting with Duncan, Barry and Chris Cooper on how this process could be improved for members with clearer employer/HR ownership, and involvement of Pensions Services at the appropriate stage(s) of the process. Pension Services will put together guidance, case studies and other material (such as business case template) for discussion with HR.

Barry also provided a brief update on recruitment of new staff to Pensions Services, which now includes a Pensions Payroll Manager and First Contact Team Leader.

Barry provided an update on recent communication exercises including Annual Benefit Statement production, PSS (for Annual Allowance purposes) and the newly launched pensions' website.

Finally, a brief update on complaint handling was given covering IDRP, and an AVC case now resolved with the Pensions Ombudsman.

Councillor Mills thanked Barry and his team for all the good progress they had made in a relatively short space of time.

**RESOLVED:**

That the update on the pensions administration function be noted.

**12. QUARTERLY ACTUARIAL FUNDING UPDATE**

It was noted that the value of the Fund had been impacted by market volatility due to the COVID-19 pandemic earlier in the year. It had now rebounded from being 93% funded at the end of March 2020 to being 106% funded at the end of June 2020.

**RESOLVED:**

That the quarterly actuarial funding update be noted.

**13. QUARTER TO JUNE 2020 ADVISOR'S REPORTS**

Susan Greenwood advised that the reports had been updated from the July 2020 meeting.

**RESOLVED:**

That the quarter to June 2020 advisor's reports be noted.

The meeting ended at 11.45am.

**CHAIR:**

**DATED:**

