

THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION BOARD** held on **WEDNESDAY, 6TH APRIL, 2022** at 3.00 pm in Committee Room 2, Crowndale Centre, 218 Eversholt Street, London, NW1 1BD

MEMBERS OF THE BOARD PRESENT

Councillor Richard Olszewski (Chair), Vinothan Sangarapillai and Steve Worrall

The minutes should be read in conjunction with the agenda for the meeting. They are subject to approval and signature at the next meeting of the Pension Board and any corrections approved at that meeting will be recorded in those minutes.

MINUTES

1. GUIDANCE ON HYBRID MEETINGS

RESOLVED –

THAT the Council's procedure rules for hybrid meetings be agreed.

2. APOLOGIES

There were no apologies.

3. DECLARATIONS BY MEMBERS OF PECUNIARY, NON-PECUNIARY AND ANY OTHER INTERESTS IN RESPECT OF ITEMS ON THIS AGENDA

Vinothan Sangarapillai, Employee representative, declared for the sake of transparency that he was a member of the pension scheme.

4. ANNOUNCEMENTS

Broadcast of the meeting

The Chair announced that "In addition to the rights by law that the public and press have to record this meeting, I would like to remind everyone that this meeting is being broadcast live by the Council to the Internet and can be viewed on our website for twelve months after the meeting. After that time, webcasts are archived and can be made available upon request.

If you are seated in the Committee Room or participating via Teams, you are deemed to be consenting to having your contributions recorded and broadcast, and to the use of those sound recordings and images for webcasting and/or training purposes.”

Vote of Thanks

Councillor Olszewski reminded the meeting that this was the last meeting of the Pension Board to be held this Municipal Year. He thanked the Board Members for their contributions and work as the Board had an important in having an oversight of the performance of the Council’s Pension Fund. He also thanked the officers for their work over the years.

5. NOTIFICATION OF ANY ITEMS OF BUSINESS THAT THE CHAIR DECIDES TO TAKE AS URGENT

There were no urgent items.

6. MINUTES

In response to a question, the Head of Treasury and Financial Services informed the Board that the process for appointing an employee representative to the Board had begun and had been advertised through the Pension Shared Service to all active, deferred and pensioners members whose email addresses were held by the Shared Service. Advertisements had also been placed with the employer bodies. The closing date was 31st March 2022 and 12 expressions of interest had been received. Officers would look at these with a view of preparing a short list and then start the process to appoint someone with suitable experience. A representative should, therefore, be in place for the next meeting.

Training would be provided for all Members of the Pension Committee and Pension Board in the new Municipal Year. It would be delivered by Isio, investment consultants, and the Actuary, Hymans, alongside officers.

It was noted that the IDeA substitution of funds was imminent, details of which were contained in reports on the agenda.

It was noted that there was a typographical error in the last paragraph of the minutes on page 22 of the agenda, as the second line should read “holdings in fossil **fuels**, but...”

RESOLVED –

THAT the minutes of the meeting of the Pension Board held on 15th November 2020 be approved and signed as a correct record, subject to the above amendment.

7. TRIENNIAL VALUATION UPDATE

Consideration was given to a report of the Executive Director Corporate Services.

This report updated the Pension Committee on an interim valuation of the Fund by the Fund's Actuary, Hymans Robertson. The Pension Committee noted the report at its meeting on 30th November 2021.

The Pension Board noted that every three years the Fund's assets and liabilities must be valued by the Actuary in order to determine whether the Pension Fund had sufficient assets to meet its long-term pension liabilities and who was required to certify the appropriate contribution rates each employer in the Fund must make over the next three years

It was noted that the next formal Triennial Valuation would occur during 2022 with the results based on March 2022 asset values and liability data. The Pension Committee would be taking some decisions in July 2022 on assumptions that would underpin the valuation. The actual Triennial Valuation would be reported to the Pension Committee in September 2022 and to the Pension Board in October 2022. The Pension Committee would receive the detailed employer valuations in November 2022.

This report presented an interim position based on 30 September 2021 data and was indicative but was not as detailed and accurate as the actual Triennial Valuation. Hymans' work was presented in Appendix A and the results were set out in section 2 of the report, which were summarised as follows:

- As at the last valuation the assets of the Fund were £1.6bn and as at the end of September 2021 stood at £2.2bn which was an annualised return of 31% and much higher than expectations.
- Liabilities were estimated to have risen from £1.6bn to £1.7bn.
- The overall funding level had risen from 103% funded as at March 2019 to an estimated 130% funded as at September 2021.
- Hymans had warned, however, that the actual Triennial Valuation could be subject to high levels of inflation and market instability due to the situation in Ukraine.

Board Members were concerned about the implications of the market instability due to the situation in Ukraine.

The Chair asked that if the final valuation showed a significant increase in the value of the Fund would that increase be realised to avoid losing it if there was a dramatic downturn. The Head of Treasury and Financial Services replied that if there was an overweight in some asset classes there would be a need to consider bringing it back to safer asset allocation. Some would be banked, but it was important to ensure the asset value moves in the Fund were not so volatile

It was noted that it would be known in September 2022 as to whether or not any surplus would be fed into the secondary contributions the Council and other

employers had to pay. The Council had 84% of the Fund and the Pension Committee would need to agree the strategy. Contributions could only go up or down by + or – 1%. The Council had to decide as an employer to asked for any discretions on that basis. Part of the would be to look at assets to make sure they were not volatile and to also look at investment strategy. The average age of active members was 50-55 and the average age of deferrals was 60. Many other London Councils had more mature Funds than Camden so they were paying out more than they were receiving in contributions and were, therefore, reducing their asset base. Camden's cashflow was broadly flat and as the fund matured liabilities would be monitored and hedged away from inflation risk. Pensions received an increase in April based on the October CBI figure, and inflation would cause an increase in liabilities. Inflation was a key risk on the risk register and would be significant for the Fund. Revenue spending was around £70m so if inflation was 5% an extra £3m-£4m would be incurred. The Fund had inflation linked assets, including long lease property funds, equities and index linked gilts.

RESOLVED –

THAT the content of the report be noted.

8. CASH FLOW AND MEMBERSHIP REPORT

Consideration was given to a report of the Executive Director Corporate Services

This report detailed the Pension Fund cash flow and membership statistics for the previous year and over the longer term. The Pension Committee, at its meeting on 3rd March 2022, noted the contents of the report.

It was noted that:

- Table 1 (page 44) showed total inflows (employer and employee contributions) in 2021 were £71m, total outflows were £69m, before transfer values there was surplus of £2m but after transfer values the cash position was neutral (with £18,000). Investment income increased sharply to £10.3m from £6m last year, so the overall cash inflow to the Pension Fund was £10.3m as it was neutral before investment income was included.
- Table 5 (page 48) showed scheme membership now stood at 22,642, which was a very small increase on last year. Actives made up 5,699 of employees from the Council and other employers made up 25% of the membership, with pensioners making up a third and deferred members making up the rest
- The auto enrolment exercise happened every 3 years and would next take place in May 2022. Currently 800 employees would be auto enrolled back into the Fund. They must decide if they want to stay or opt out.

In response a question, it was noted that assets under management were growing by a third, and the companies the Fund had invested in had also done well.

It was anticipated that those members who had previously opted out would opt out again.

It was recognised that the Camden's pension scheme was very good, but the Council was not allowed to promote the scheme or offer financial advice to scheme members.

RESOLVED –

THAT the contents of the report be noted.

9. PENSION FUND ANNUAL REPORT

Consideration was given to a report of the Executive Director Corporate Services.

It was noted that the Pension Fund was required to produce an Annual Report under the Local Government Pension Scheme Regulations 2013. This report presented the 2020/21 Annual Report to the Pension Committee on 3rd March 2022. The Pension Committee approved the 2020/21 Pension Fund Annual Report, as attached at Appendix A.

The Pension Board noted that the Annual Report pulled together many of the reports and statements the Fund produced and was a good source of information on key matters about the Fund. The individual statements included in the Annual Report had been revised where appropriate, and the versions in this Annual Report would be adopted and taken forward as the current version. These included:

- Governance Compliance Statement
- Investment Strategy Statement
- Communications Statement

It was also noted that the report

- included Pension Committee membership and attendance and the meetings and work of the Pension Committee during that year.
- The accounts were still in draft and subject to audit
- 2020/21 scheme administration was £25.69 per member of the Fund compared to £27.70 the year before (para 2.3)
- Councillor Madlani, Chair of the Pension Committee, had personally fed into the forward of the report.

The Pension Board noted that the Pension Advisory Service (TPAS) referred to on page 92 of the report, did not exist anymore but this reference would be corrected on the version made available to the public.

ACTION BY: Executive Director Corporate Services

With regard to page 73 and administration performance, some Pension Board Members were concerned that some scheme members had encountered difficulties in contacting the Pension Shared Service, particularly those who preferred to contact them by phone. However, the KPIs appeared to be over 90%, although the actual target was not clear. The Head of Treasury and Financial Services explained that the preferred communication channel was email, and the statistics were in line with other shared services. Those members approaching retirement tended to be dealt with by phone or in a meeting. He welcomed feedback so would like to know if and when scheme members encountered problems so that trends could be monitored and any problems resolved. He added that he would let members know what the targets were.

ACTION BY: Executive Director Corporate Services

It was noted that Pensions Shared Service was originally set up between Camden and Wandsworth, and now also including Merton, Richmond and Waltham Forest. The shared service was based in Wandsworth and staff were originally transferred from Camden to Wandsworth, but only one remained currently there and they were now regarded as Wandsworth employees. The shared service was now also undertaking work with Bromley Council but it was not yet known if they would become a full partner.

RESOLVED –

THAT the contents of the report be noted.

10. PENSION COMMITTEE UPDATE REPORT

Consideration was given to a report of the Executive Director Corporate Services

The Pension Board was reminded that it had responsibility for assisting the Pension Committee in ensuring compliance with the Scheme Regulations, other legislation relating to governance and administration, and the requirements of the Pension Regulator. The Pension Board must also ensure the effective and efficient governance and administration of the scheme. This report summarised the items presented and decisions made at the Pension Committee meetings on 30 November 2021 and 3 March 2022.

It was noted that **in November** the portfolio had a market value of £2.2bn, equities were overweight at 65%, but the March report showed that this had reduced to 58%. PIRC data showed the Camden Pension Fund in a favourable light compared to other funds. Both equity managers had struggled although overall the Fund had had a positive performance.

The Pension Committee also took reports on

- the Employer's Register – the Council made up 86% so the remaining 14% was made up of other employers. It updated the Committee on membership

and the substitution of Improvement and Development Agency (IDeA) funds and the payroll was now with the Merseyside Fund, and the asset transfer was anticipated to take place on 19 April 2022.

- Carbon Footprint – there had since been some major movements and footprints had come down. UK equity assets with L&G (£275m) had been transferred to the Future world Fund which excluded companies that failed to meet minimum carbon standards and tilted away from poor ESG companies to good ESG companies. This would reduce the amount of fossil fuel investments held by the Fund. Most of the Fund's assets in BG were moved to a Paris Aligned Fund, the remainder around £180m would go to Merseyside as part of the substitution of IDeA funds.

In March it was noted that the Fund was valued at £2.3bn, slightly up from the previous quarter, although since that time the war in Ukraine had started. The performance report included progress on the asset allocation rebalancing agenda. The planned £171m invested in Harris had been sold and £61m had been invested in Aviva, the long lease inflation plus mandate. This resulted in the equity weighting reducing to 58% and once the IDeA substitution of funds was completed it would bring it back down to the target weighting of 50%. Since the report £57m had now been invested in Index Linked gilts, £95m invested in the Baillie Gifford DGF fund (multi asset fund). Benchmarking data showed that the Fund had done well over the 3 years and 5 years periods and was ahead of its peers on average. Both Baillie Gifford and Harris were still underperforming and Baillie Gifford were significantly behind by 14% in 1 year, which officers were monitoring. Harris tended to buy stock cheap and sell high whereas Baillie Gifford bought companies that should have good asset growth. London CIV were looking at a new value product. The Fund had already disinvested from Standard Life and would get out of Insight shortly and use that money to get into the MAC (multi asset credit) fund. The Fund was looking at getting out of Ruffer, but that would happen over time There was nothing that really concerned the Pension Committee about the other fund managers.

The Pension Committee also took reports on

- **Corporate Governance Annual Report** – PIRC (corporate governance advisor) set out what happened on the Fund's voting record. The Fund voted on just under 10,000 resolutions in 2021 at 724 meetings, opposing 41.6% of remuneration reports. The Pension Committee had been pleased to see that for the first time gender diversity had improved on boards of FTSE 350 companies and executive committees of FTSE 100 companies which were now comprised of more than 33% of women, although more work needed to be done on senior board positions and chief executives. It highlighted that ESG skills were not covered on boards and made recommendations on that.
- **Voting Guidelines Report** incorporated investment beliefs ensuring transparency and key tenants of the corporate code and good corporate governance code. Guidelines on broad structures remuneration, climate change and ESG issues. There were 3 voting policies to deal with the different markets - global, UK and US.

- **London Collective Investment Vehicle Progress Report** – the London CIV had £14.6bn of assets under management. Total assets pooled by Client Funds were valued at £27.3bn and they expected 71% pooled by 2025. Mike O'Donnell, the Chief Executive Officer, had indicated that he was only going to stay on for another year. The London CIV wanted to achieve net zero by 2040 and achieve net zero across operational and supply chain emissions by 2025.

It was noted that London CIV had been conducting a trial with one of their client funds to assess the carbon footprint in line with the Task Force on Climate Financial Disclosures (TCFD) for its entire investment portfolio. Officers would confirm if the trial covered the three scopes.

ACTION BY: Executive Director Corporate Services

- **Engagement report** – LAPFF had 85 members and 7 pools and were largest contribution was to climate action.
- **Business Plan** - This would be a very busy year for the Pension Committee due to the Triennial Valuation. Members of the Pension Committee and Pension Board and officers had been enrolled on the Hymans online learning academy. Training was delivered via videos, with jargon buster crib sheets and a quiz on each module. Completion could be tracked for each user so a record would be kept of which topics had been covered and which topics users needed to focus on.

Training would be offered to all new Members of the Pension Committee and Pension Board on 6th June 2022.

With regard to the impact of the situation in Ukraine, it was noted that the Fund overall only had 0.27% invested in Russia companies, which amounted to £6m out of £2.3bn. Officers had contacted all managers stating that Camden deplored the situation and asking what holdings they had in Russian companies. Harris had no holdings in Russian companies, Baillie Gifford had holdings in a bank and an IT company which only amounted to 0.7% and L&G (passive tracker) had 0.2% holdings. Baillie Gifford and L&G said that they were marking the assets down to zero and would sell them as soon as markets opened.

The Pension Regulator wrote to all schemes on 31st March 2022 reminding them of their fiduciary duties as it was a balancing act to ensure that pensionable benefits were covered by assets, but at the same time did not want to be holding assets that were offensive or not in line with the Fund's investment beliefs. Officers contacted LAPFF about this and they were in contact with companies like BP and Total whose investments were largely in oil. BP confirmed that they would sell their investment in a Russian oil company. Officers would inform LAPFF of the Pension Board's concerns.

Pension Board Members were of the view that the situation was deeply concerning from both a financial view and moral view. The Pension Board were aware of its

fiduciary duty but in so far as possible would like to see action taken on the moral aspect.

The Pension Board asked the Committee to give some consideration to acting through LAPFF about Councils collectively using shareholders to put pressure on companies who continue to trade with Russia.

ACTION BY: Executive Director Corporate Services

The Pension Committee should also explore what Camden's approach should be and communicate that to LAPFF and others.

ACTION BY: Executive Director Corporate Services

RESOLVED –

THAT the contents of the report be noted.

11. DATES OF FUTURE MEETINGS

The Pension Board noted the provisional dates for meetings of the Pension Board in the 2022-2023 Municipal Year as set out below:

Wednesday, 19th October 2022
Tuesday, 28th March 2023

These meeting were scheduled to start at 4.00 p.m.

It was also noted that the Council would be asked to formally agree the Calendar of meetings for the 2020-2021 Municipal Year at its meeting on 25th May 2022. All meeting dates avoid major religious holidays and party conferences.

12. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no urgent business.

The meeting ended at 4.03 pm.

CHAIR

Contact Officer: Lorraine Jones

Telephone No: 020 7974 5721

E-Mail: lorraine.jones@camden.gov.uk

MINUTES END