

THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION COMMITTEE** held on **WEDNESDAY, 10TH JULY, 2024** at 6.30 pm in Council Chamber, Town Hall, Judd Street, London WC1H 9JE

MEMBERS OF THE COMMITTEE PRESENT

Councillors Rishi Madlani (Chair), Heather Johnson (Vice-Chair), Anna Burrage, Matthew Kirk and Sylvia McNamara

MEMBERS OF THE COMMITTEE ABSENT

Councillors Jenny Mulholland, James Slater and Shiva Tiwari

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 Committee and any corrections approved at that meeting will be recorded in those minutes.

MINUTES

1. APOLOGIES

Apologies for absence were received from Councillors Jenny Mulholland, James Slater and Shiva Tiwari.

2. TERMS OF REFERENCE OF THE PENSION COMMITTEE

RESOLVED –

(i) THAT the Terms of Reference of the Pension Committee be noted.

3. DECLARATIONS BY MEMBERS OF STATUTORY DISCLOSABLE PECUNIARY INTERESTS, COMPULSORY REGISTERABLE NON-PECUNIARY INTERESTS AND VOLUNTARY REGISTERABLE NON-PECUNIARY INTERESTS IN MATTERS ON THIS AGENDA

There were none.

4. ANNOUNCEMENTS

Webcasting

The Chair announced that the meeting was being broadcast live to the internet and would be capable of repeated viewing and copies of the recording could be made

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available to those that requested them. Those seated in the Chamber were deemed to be consenting to being filmed. Anyone wishing to avoid appearing on the webcast should move to one of the galleries.

Vote of thanks

Councillor Madlani informed the meeting that this would be Nigel Mascarenhas, Head of Treasury and Financial Services last Camden Pension Committee meeting, after working for Camden Council for 15 years. He was moving on to pastures new, having worked with the chair as lead officer to the Pension Committee for 10 years.

The Chair, on behalf of the Committee, thanked Nigel for his incredible service to the Committee and the borough informing members that a proper send-off was being arranged.

The Chair also welcomed Nigel Keogh Interim Head of Treasury and Financial Services and Priya Nair Treasury and Pension Fund Manager who were new members of the team and taking over from Nigel Mascarenhas. They each introduced themselves.

Priya informed the Committee that she had moved to Camden from the City of London Corporation where she had worked for about 4 years taking care of their financial investments while Nigel was joining the organisation on a temporary basis supporting Priya and also supporting the process to find a replacement for the outgoing Head of Treasury and Financial Services. He had worked in local government pensions for over 20 years working with London Boroughs and County Councils.

The Head of Treasury and Financial Services thanked the Chair and Committee saying that it had been a real privilege to serve the Committee he had enjoyed working with members and would be delighted if the members of the Committee in his new role were at least half as tuned in as Camden members were.

5. DEPUTATIONS (IF ANY)

The Chair informed members that two deputations had been received and accepted, copies of the deputation statements were included in the supplementary agenda.

The 2 deputations related to ethical Pension Fund Investments and were from:

- Liz Wheatley (Camden Unison)
- Luca Salice – (Camden Palestine Solidarity Campaign)

The following responses were given by the deputees to members questions:

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- The Unison Observer on the Committee regularly attended Pension Committee meetings remotely but did not have voting rights and attended the meetings as an observer.
- Committee members could introduce themselves and meet the Trade Union representatives after the meeting.
- The International Court of Justice (ICJ) had made it clear that genocide had probably occurred in Gaza.
- There was a strong debate about the actions of certain companies which were deemed illegal such as the expansion of illegal settlements in the West Bank as well as the activities of the arms industry, Unison strongly felt that Pension Fund money should not be invested in war, occupation and death.
- There was the feeling that investing in these companies made Camden Pension Fund complicit in these activities.

A member commented that along with the Vice Chair of the Pension Committee they had attended the Local Authority Pension Fund Forum (LAPFF) conference earlier in the day at which one of the main topics of conversation had been about human rights and conflict dynamics. An outcome of the conversation was the proposal to send a letter to all Financial Times Stock Exchange (FTSE) 100 index companies asking them to answer certain questions which would provide Local Authority Pension Funds with a better understanding of the basis on which investments were made and maintained in times of conflict. The member asked if the deputies could provide comments on the type of questions they would like to be put to the companies.

In response Liz Wheatly commented that she would like the FTSE companies to be asked about:

- Their links financially supporting and investing in the occupation of Palestine and wars in Sudan, Yemen and the Democratic Republic of Congo given that United Nations experts and the Human Rights Council had asked nation states to cease the sale and transfer of arms, munitions and other military equipment to Israel; and
- With regards to the Fossil Fuel Industry what the companies' plans were for transition from fossil fuel and whether the transition was supported by training and developing people's skills as well as adequate pensions and rights for workers involved in those transitions.

Nigel Mascarenhas Head of Treasury and Financial Services and Lara Blecher, Pension and Investment Research Consultants (PIRC) made the following comments in response to the deputations and members questions:

- Camden as the LGPS Administering Authority was under a duty to act in the best interests of scheme members, its investment powers must be directed to achieving what was best for the financial position of the funds with the precise choice of the investment being influenced by Environmental, Social and

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Governance (ESG) factors so long as that did not materially risk the financial detriment of the fund.

- The Pension Fund had invested in a number of ESG aware mandates such as the Legal and General Future World Global Fund, and the Baillie Gifford Paris Aligned Fund both of which had looked to transition away from fossil fuels. The infrastructure fund had a 37% renewable element while the Affordable Housing Fund had a social housing objective.
- In taking account of wider ESG considerations, the Administrative Authority were required to ask and get the agreement of employers to its investment policy. The employers included not only the Council but 29 other employers.
- While individual members paid into the Pension Fund, the risks, assets, liabilities and deficits were the employers responsibility. Members of the fund had their benefits guaranteed by statute.
- In relation to ethical investments, policies and how the Council's Pension Fund interacted with the London Collective Investment Vehicle (CIV), the Pension Fund spent a lot of time discussing and considering its investment beliefs as well as asking ISIO investment consultants to comment before Camden Pension Fund decided on its investment policy.
- A lot of time was also spent with Fund Managers talking in detail about non-performance related issues such as diversity, fossil fuels and carbon stranded assets, sustainable cities and communities, good health and wellbeing and reduced inequalities.
- From an engagement perspective, PIRC worked with the Local Authority Pension Fund Forum to understand the human rights and environmental impacts of companies working in conflict and high-risk regions. Part of the process involved companies undertaking heightened human rights and environmental due diligence and to conduct human right impact assessments and, on that basis, develop asks of companies.
- LAPFF policy was to engage with companies and never to divest, the intention was to use the heightened human rights and environmental due diligence process to set engagement objectives and expectations.
- As already indicated LAPFF was about to send a letter to FTSE 100 companies to ask how they were conducting heightened human rights, environmental due diligence and human rights impact assessments. PIRC advised that it would report back to the Committee on the responses received.

The Chair thanked the deputees for bringing this issue informing them that as a person who had led faith trips to Palestine and had also worked in Israel, he found it hard and a very moving issue and understood the emotions around this noting that it was important that these issues had been raised welcoming the questioning and challenge.

He also commented that when he first became chair of the Pension Committee about 10 years ago one of his first acts was to ensure that Trade Union voices were heard and represented on the Committee and furthermore at the London CIV it was Camden that had led the way in calling for Trade Union voices to be included at the

Shareholders Committee, with trade union voices now being heard at the highest levels of the organisation.

He was happy for the Committee to look at ways in which it could share more of the data in its reports more transparently as well as the work it had done in championing climate action and equalities through its engagement activities with LAPFF.

The Chair thanked the deputees for their attendance.

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

There was none.

7. MINUTES

RESOLVED –

THAT the minutes of the meeting of the Pension Committee held on 5th March 2024 be approved and signed as a correct record.

8. PERFORMANCE REPORT

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

The Head of Treasury and Financial Services introduced the report which outlined the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 31 March 2024.

He highlighted that global markets had generally showed strong returns for equity, with the FTSE All World increasing by 9.1% in the quarter with only Asia and emerging markets lagging behind, other regions were showing strong growth in the one-year period. The retail price index (RPI) looked to have settled down in the quarter with the sharp inflationary spike now appearing to have abated and central banks thinking about policy easing. The overall fund value was just below £2.1billion. The overall fund performance this quarter achieved a 4.3% return just behind the target of 4.8%.

Karen Shackleton, Independent Investment Advisor, provided the committee with an overview of her comments on the financial markets and provided detail on the performance of the individual Investment Managers, as set out in Appendix A to the report.

She highlighted that:

Baillie Gifford, the growth global equity manager had a better showing this quarter with a return of 9.8%, outperforming Harris by nearly 6%. Although over the 3-year period they still had a lot of ground to make up. The best performing stocks in absolute terms were the tech stocks adding 6 new positions making 12 sales pointing out however that smaller holdings were adding less value than was the case previously.

Harris, the Global Equity Value Manager underperformed during this quarter which was due to poor stock selection.

Legal and General – there were no issues with the tracking of these funds and no concerns. Though to be noted that the Sustainable index did not do as well as the broader market Cap index in the quarter.

CBRE – the portfolio of commercial property funds. The main detractors from performance in this quarter were Airport Industrial's, Ardstone UK Regional Office and Standard Life Long Lease Property Fund. The top contributors to returns for the quarter were Unite UK Student Accommodation, M&G Secured Property Fund and Fiera Real Estate Opportunity Fund IV. The split of the different fund returns showed the benefit of diversification. The Fund Manager had warned that residential yields were beginning to peak in prime locations and London had seen falls in rental growth.

Partners – This was a Global Property Manager investing in 3 different funds. that Camden Pension Fund was invested in. The 2009 Fund was now in realisation and was winding down.

The 2013 fund had realised half of its investments and had distributed 92% already so was doing okay. The 2017 fund was 61% drawn and had got 14 assets below expectations which required some monitoring.

HarbourVest – This was a Global Private Equity Manager. This fund had provided strong returns in the past but were now facing some challenges with a quarter of the portfolio now behind expectations due to the negative impacts of inflation and high interest rates. This also needed to be monitored.

London CIV - – The MAC fund (blended fund -CQS/Pimco) This she noted was a multi asset credit portfolio which was now blended across two managers CQS and Pimco and returns had now been improving although still behind the target. The Committee were informed that there were 3 defaults on this fund which would be a headwind and detract from returns, although not significant at the moment would require future monitoring. It was also pointed out that London CIV had indicated that although both managers were on normal monitoring consideration was being given to bringing forward a deep dive analysis of CQS if there were any concerns.

London CIV – Infrastructure Fund – Stepstone – These were investing in a range of Infrastructure portfolio Funds. There were 7 primary funds and one secondary fund. Members were informed that there were some initial deployment concerns

when the Pension Fund first invested, but the deployment was now ahead of expectations so there were no longer concerns.

London CIV – Real Estate Long Income Fund – Aviva – This was a property portfolio investing in long lease income type strategies which were very secure inflation linked income managed by Aviva. These were aligned to the liabilities which were inflation linked. The Committee was informed that 98% of leases were inflation linked which was good to have in an inflationary environment. It was also pointed out that the manager was of the view that the property market was at the bottom of the cycle which was positive. London CIV had also extended the period for the exposure limits on industry sector and single creditor limits till June 2027 to avoid sales.

London CIV – Diversified Growth Fund – Baillie Gifford -This was a multi asset portfolio designed to diversify the equity risk in the total portfolio managed by Baillie Gifford. Performance had been an issue for quite a while. London CIV had put them on enhanced monitoring back in 2022 and had decided to maintain this level of monitoring on the manager. They had seen some progress but wanted to monitor for a while longer. It was pointed out that the weighted average carbon intensity was significantly higher than the comparative benchmark, although this was not a sustainable mandate it did require monitoring.

Responding to a question about whether there should still be concerns with some of the investment fund managers going forward, the Independent Investment Adviser informed members that the Committee had decided not to recommit to the next fund because of concerns with what was occurring with the most recent fund which was sensible under the circumstances. She also pointed out that members had met with Partners in February 2024 and the data provided was to the end of March 2024 which was the same quarter.

RESOLVED –

THAT the contents of the report be noted.

9. CITIZENS ADVICE CAMDEN - CESSATION

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

The Head of Treasury and Financial Services introduced the report informing members that it confirmed the exit otherwise known as cessation, of Citizens Advice Camden as an employer from the Fund.

Members were informed that:

- Citizens Advice Camden (CAC) were exiting on terms set out in the Funding Strategy Statement agreed by the Committee in December 2022.

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- CAC's last employee left the Fund in November 2023 and under the Funding Strategy Statement this meant, as they had no active employees, it had triggered their cessation in the Fund.
- It had been a planned exit with good communication between the Fund and the charity approaching this event for over a year.
- The actuary had done a cessation calculation and calculated the exit payment as £490k (on a low-risk basis).
- The Executive Director Corporate Services had agreed the terms of their exit in March and CAC paid this amount in full in April.

The Committee was asked to ratify the decision.

The following responses and comments were provided to Committee members questions:

- When there are no active employees in the fund, it automatically would make them a ceased employer. The £490k was calculated based on the difference between their assets and liabilities in the fund.
- There were broadly 3 categories of employer in the fund, scheduled bodies such as schools who were generally well funded and could afford to be in the fund, admitted bodies such as contractors that worked for the Council their contribution rates were set so they did not fall behind with payments, the third category were the charitable admitted bodies the cost of which was significantly higher for these bodies. Lots of charitable organisations did not have the reserves to meet the cessation price tags which was difficult. This was something that needed to be looked into at the next triennial evaluation.

The Vice Chair commented that the CAC cessation was well managed and a really good outcome because there had been occasions when the payments had been significantly higher and very difficult for a lot of Voluntary organisations

The Chair thanked the Head of Treasury and Financial Services and his team for keeping up with the regular dialogue and close track of all the risks around these issues.

RESOLVED –

THAT it be agreed that Citizens Advice Camden ceases as an employer in the Fund.

10. RISK REGISTER

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

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The Head of Treasury and Financial Services introduced the report informing members that this was an annual report assessing the risks in the fund from a liability and asset perspective.

- The risk ratings were set out in table 1 which showed the risks scored in terms of impact and probability.
- All risks were RAG rated, red, amber and green. Details of each risk and changes from last year were shown in appendix 1 of the report.
- The risk map was similar to last year after being reviewed by officers, the Actuary and Independent Investment Adviser.
- The mitigations controls and updates had been updated throughout and it was for members to comment on anything considered to be scored incorrectly or not captured.

The following responses and comments were provided to Committee members questions:

- The Environmental, Social and Governance (ESG) risks appeared in everything that was looked at and it was the risk register that brought all these risks together.
- With regards to the inflation risk – the Actuary and Independent Investment Advisor were comfortable with where the inflation risk was on the register. This was considered as part the triennial valuation as well as the Investment Strategy Review in July 2023 resulting in the move towards inflation related mandates such as Affordable Housing and Real Estate Long Income Funds.
- If there were no inflation risked investments the Pension Fund would be facing bigger risks. However, as a concerted effort had been made to get more inflation protection into the portfolio this had mitigated the risk.
- With regards to modelling risk and scenario modelling that was a question for the Actuary who had discussed modelling as part of their triennial valuation presentation to the Committee in December 2022 and would be discussing this again during the triennial valuation in December 2025.
- The Head of Treasury and Financial Services informed the Committee that he would ask the Actuary to comment on the slides from the Business meeting about Modelling Risk and scenario modelling send the response by email to Committee members.

Action By: Head of Treasury and Financial Services

- Climate risk modelling was a complex topic, it depended on the assumptions going into the models as to what output resulted. Evidence and data were required to support any actions. Ultimately there was the need for the Committee to discuss what the implications were for the portfolio of some of the headline scenarios and whether any mitigating action was required to be taken.

- Employers' cessation from the fund or their financial standing was a risk and worry for the fund which was the reason why the Employer's Register was brought to the Committee every year to agree.

RESOLVED –

THAT the Risk Register as set out in Appendix 1 be agreed.

11. ENGAGEMENT REPORT

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

The Head of Treasury and Financial Services informed the Committee that this was a regular report presented to Committee Members updating them with engagement activity undertaken by the Fund and on its behalf by the Local Authority Pension Fund Forum (LAPFF) to promote good governance and behaviour in environmental and social issues.

He also highlighted that:

- A LAPFF business meeting had taken place today which some members had already provided some update on to the Committee.
- The LAPFF Business meeting in April 2024 had considered options and implications for decarbonisation of steel production and steel recycling.
- Finalising the LAPFF work plan.
- An item on task force and on climate related financial

The Chair reminded and encouraged Committee members to attend the business meetings informing them the conference and business meetings were open to all members as well as them being keen to get more political diversity at some of the LAPFF events.

RESOLVED -

THAT the contents of the report be noted.

12. LONDON COLLECTIVE INVESTMENT VEHICLE PROGRESS REPORT

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

The Head of Treasury Management and Financial Services introduced the report informing the Committee that it provided an update on developments at the London Collective Investment Vehicle (CIV) including the Shareholder Committee meeting held on June 21st attended by Councillor Madlani who also chaired the shareholder meeting.

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It was highlighted that the CIV:

- Had been busy launching several new products such as the Nature Based Funds, the New Private Debt Fund and a Global Equity Value Fund.
- Hit their targets for asset growth in 2023/24.
- Were developing a property offer
- Had recently made key appointments to the Chief Risk Officer and Chief Proposition Officer posts although the Chief Investment Officer would soon be leaving.

The Chair commented that the next conference was coming up in September and asked if officers could circulate the dates to members encouraging members to attend.

Action By: Interim Head of Treasury and Financial Services / Treasury and Pension Fund Manager/all Committee members.

The Head of Treasury Management and Financial Services also reminded members of the ongoing consultation that was still open and initiated by the previous government but still wanted Pension Funds to provide a response.

RESOLVED –

THAT the contents of the report were noted.

13. BUSINESS PLAN

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

The Committee noted the items scheduled for future agendas of this Committee together with a record of training sessions and meetings attended and a list of future training opportunities.

The Chair advised that the meeting with Manulife formerly CQS and Pimco had been moved from 1st July to 29th July due to the General Election. Invites would be sent to members diaries.

RESOLVED –

THAT the contents of the report be noted.

14. DATE OF NEXT MEETING

Thursday 19th September 2024 at 6.30pm.

15. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was none.

The meeting ended at 7.50 pm.

CHAIR

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MINUTES END