



**LONDON BOROUGH OF CAMDEN
PENSION FUND ANNUAL REPORT**

2020/21

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SECTION 1: FOREWORDS

Report of the Chair, Pension Committee



Cllr Rishi Madlani, Chair of the Pension Committee

I am pleased to present the 2020/21 Annual Report for the London Borough of Camden Pension Fund. This was the first full year of the pandemic and its effect on global communities, stock markets and financial systems. Our thoughts are with those that have suffered during this acutely difficult time. For the Fund, the financial year in question has been characterised by a strong bounce-back in many sectors of the world economy. The Fund has benefitted from this recovery and has grown in value from £1.554bn in March 2020 to £2.092bn by March 2021. The Fund is well diversified and has a measure of resilience built-in against turbulent markets. Furthermore, it is important to take a long-term view when analysing pension fund performance. For example, the contributions set by the actuary use a 20 year forecast period and currently assume 4.5% projected growth per annum. The Fund has outperformed previous actuarial growth assumptions over the past decade.

2020/21 saw the Fund take bigger steps towards investing in infrastructure assets, through the London CIV Infrastructure Fund managed by Stepstone. The Fund's investment here stood at £25m by the end of the year, as part of an overall £106m commitment. This gives the Fund indirect exposure to everything from Welsh windfarms to American solar power, with the prospect of investing in new green energy projects around the world in the near future. The Infrastructure fund currently has 40% in renewable energy and this helps with the Fund's progression towards a net zero carbon economy and one of its three principle investment beliefs (Climate action).

The Pension Committee has engaged vigorously with the Fund's investment managers throughout the year, focussing not only on their investment performance but on their Environmental, Social and Governance (ESG) progress – we believe that the value of the Fund's assets can only be strengthened by constructive engagement activity, and that a world in which ESG principles inform investment decisions will be one in which long-term, sustainable value can be added to the Fund. We also continue to play an active role in the Local Authority Pension Fund Forum (LAPFF) with both the Chair and Vice-Chair attending meetings as well as officer time.

The environmental impact of the Fund's equity managers has also been a particular area of focus. In 2012 the Fund's equities had 7.2% of their value invested in fossil fuels, and by 31 March 2021 this had been reduced to 3.07%, so significant progress is being made in reducing the impact of the Fund on climate change. This is set to fall further now that the Fund has made an active decision to invest in a Paris-aligned version of one of its global equity mandates (Baillie Gifford), since September 2021, and also has moved a large proportion of assets invested in passive equity to a lower carbon product with a larger focus on ESG (The Legal & General Future World Fund), beginning in February 2021. The Fund continues to engage actively on these matters

and to put pressure on its investment managers over a number of important ESG issues. Both of these changes are as a result of the review of investment strategy in July 2020 which gave more active consideration to the ESG-impacts of proposed new investments which resulted directly in the investment in the L&G Future World fund.

The make-up of the Pension Committee remains unaltered. Cllr Heather Johnson continues to assist me as Vice Chair and has been active with LAPFF and Investment manager meetings and continues to make a significant impact. The Committee takes very seriously the need to keep up to date with the changing world of Local Authority Pensions and endeavours to establish a regular training and learning schedule. The committee has now joined the Hymans online learning portal and I expect all members of the Committee to invest time developing their knowledge to support the Pension Committee aims.

I am encouraged by the net growth in the Fund's membership, with an additional 539 active members joining the Fund in the year, bringing total membership to 22,642. The Fund continues to be cash-flow positive.

I would like to thank our in-house team of officers: Jon Rowney, Daniel Omisore, Nigel Mascarenhas, our Pensions administration shared service, our independent adviser Karen Shackleton, our advisors ISIO, our actuaries Hymans Robertson, and all members of the Committee and Pension Board for their work in what has been very challenging circumstances.

Report of the Executive Director Corporate Services

This report details the financial position of the Pension Fund and the performance of the professional managers appointed to administer the investment portfolio.

The London Borough of Camden Pension Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Council is the administering authority for the Fund and operates in line with LGPS regulations.



**Jon Rowney, Executive Director
Corporate Services**

As the administering authority, the Council has a duty to ensure that the Fund is effectively managed, ensure that all contributions and investment and other amounts due to the Fund are collected and that surplus monies are invested in accordance with the Fund's Statement of Investment Principles/ Investment Strategy Statement both of which are included in this report. The Fund is also required to act in the best interests of fund members and ensure that cash is available to meet liabilities as they fall due. The Fund's fiduciary duty to fund retired member liabilities needs to be balanced against other issues include the Fund's strong commitment to Environment, Social and Governance (ESG) issues. The action taken by the Pension Committee of the Fund has resulted in a significant reduction in the proportion of fund assets invested in fossil fuel extractor companies in the past decade.

The Fund generally performed well over most of 2020/21, increasing to £2.092bn by March 2021. The story for the year has been one of great gains in equity markets in particular, leading to the fund gaining 35% in value, increasing £538m in value over the year. This compares to the PIRC universe (an average of a cohort of local authority pension funds surveyed) of 22.7% for the year. Much of this growth occurred in the quarter ending 30 June 2020. According to our performance consultants, PIRC, the Fund is performing well over the long-term and sits in the 26th percentile over the past 5 years (a higher percentile means better relative performance, and this means that the Fund is very close to being in the top quarter of all funds.). It is important to remember that the Fund's performance is still above the level generated if the Fund had merely equalled the actuary's assumptions used in the last triennial valuation.

Volatility has once again stemmed largely from equities over the year, which the Fund has a relatively high allocation to. This will be addressed as a result of the recent investment strategy review, with a rebalancing away from equities as their value within the portfolio has risen compared to other asset classes. UK equities performed well, gaining 30% over the year, but not as well as did overseas equities, which generated overall returns of 42%.

Sovereign bond yields remained low as central banks largely kept rates low in the hopes of sustaining economic momentum coming out of the pandemic. Returns on property assets have been poor, as the market for these remains uncertain. In the coming months the full impact on asset valuations will become evident, as restrictions are eased further, transactions pick up and government support schemes end (potentially impacting rental collections). Property owned by retail, hospitality and leisure centres are clearly at highest risk, and this represents a significant proportion of the Fund's indirect property holdings.

In a year of high equity returns, some managers have performed better than others. Harris and Baillie Gifford outperformed their benchmarks by 21.3% and 13.2% respectively. It was anticipated that Harris would generate large returns in a recovery, and indeed this has been the case. Our passive equity managers, Legal & General, saw double-digit results over twelve months while closely tracking their benchmark, as they are intended to do. A shift more towards passive investment, which have lower fees, will be explored following our recent investment strategy review. Insight, our fixed income managers, have performed modestly over the year, with 8.6% growth in 2020/21, but less well over the longer term, at only 0.8% since inception against a target of 4.5%.

Our private equity managers HarbourVest have underperformed, delivering only 1.9% over the year against an 8% target. Again, caution must be exercised with their latest valuations and the Fund is not yet mature, as it is in its early start-up phase. The diversified growth funds (DGFs) have all performed well this year, especially Barings, although their longer-term performance has not always been so positive, and positive returns in 2020/21 may have been driven by their partial exposure to equities.

The Fund is a member of London CIV which was formed as part of the Government pooling agenda aimed at reducing investment costs, gaining economies of scale and promoting investment in infrastructure in the LGPS. As at the end of the year, the Pension Fund had 58.9% of its assets invested via the London CIV platform and I am pleased to report that we are making excellent progress towards asset pooling. For instance, we will soon add a new Baillie Gifford Paris-aligned fund to replace some of our existing equity holdings; this fund will seek to achieve returns whilst minimising the impact of our investing on the environment, and is a good example of how the LCIV can offer investment opportunities which align closely with the Fund's investment aims. We expect the Fund's association with the London CIV to deliver better investment returns and reduce the cost of investing over time. In the year to March 2021, net savings of £650k have been achieved on fees by investing with LCIV.

Officers and advisors continue to work on the transfer of assets and liabilities to Merseyside for The Improvement and Development Agency's proportion of the Fund. The payroll has recently transferred to Merseyside and in Q1 the assets should follow. The other major announcement in year was the Treasury's announcement and then abandonment of the £95,000 public sector exit cap, which would have had major financial consequences for some members of the LGPS.

Looking forward, it is clear that the effects of the pandemic will still be felt in markets around the world, and the immediate outlook is uncertain. However, the Fund has performed well in a long-term context, which is the context within which a pension fund should be viewed, and is performing better than the actuary assumed. Markets have

mostly recovered at the time of writing, the Fund is well diversified and will be further diversified throughout 2021/22 as the recommendations of the investment strategy review are implemented.

SECTION 2: OVERVIEW

The Pension Fund Annual Report

The Pension Fund Annual report pulls together many of the reports and statements which the Fund produces into a single, annual document. Scheme members and other interested parties should find the single publication a good source of information on key matters about the Fund.

The Report comprises a number of sections and appendices, in order to comply with the many regulatory requirements laid out in the Local Government Pension Scheme (Administration) Regulations 2008 and (subsequently) 2013 and 2016.

The body of the report contains sections on:

Scheme Management – Reports including the management of risks within the fund; the preparation of the accounts; responsibilities of the Executive Director Corporate Services; and report of scheme administration.

Scheme Governance – Reports on the governance structure and terms of reference of the Pension Committee, together with attendance and training.

Investment Policy & Performance – Investment market review with performance of the investment managers; detail of the Fund investments and asset allocation; and the corporate engagement undertaken on behalf of the Fund.

Actuarial Report – A summary report based on the most recent triennial valuation conducted by the fund actuary.

The sections thereafter introduce the main statements, which are included as appendices to the report, namely:

- 2020/21 Statements of Account
- Governance Compliance Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Risk Register

The Local Government Pension Scheme (LGPS)

The London Borough of Camden Pension Fund is a statutory funded scheme, governed by the Local Government Pension Scheme Regulations 2013 and subsequent amendments. It is a defined benefit scheme now based on career average revalued earnings (from 1 April 2014, previously final salary) which provides pension benefits to employees of the Council and other bodies which are set out in law. Employees have complete discretion on whether to be members of the scheme.

The Council is the administering authority and responsible for all aspects of the Fund's operations. The Executive Director Corporate Services is responsible for administration and preparation of the Fund's Statement of Accounts in accordance with the Pension

Statement of Recommended Practice (SORP). The costs of administration and payment of pensions and benefits are chargeable to the Fund.

The scheme is required to be either fully funded or have a strategy to become so within a period defined by the Actuary. It is financed by contributions from employers and employees and investment income. Funds not immediately required to finance pensions and other benefits are invested in a selection of financial assets. These assets must be sufficient to meet the future pension entitlements of both past and present employees. This is achieved by adjusting the level of employers' contributions every three years following an actuarial review by an actuary, currently Hymans Robertson.

Contributions & Benefits

Legislation requires actuarial valuations of local authority pension funds to be undertaken every three years to calculate the funding level and determine the annual contributions to be made by the employing bodies. The valuation on which the employers' contributions for 2020/21 were based was carried out as at 31 March 2019, and applies to the three financial years from 1 April 2019.

Under the scheme regulations, employees contribute to the scheme according to set tiered contribution rates, based on pensionable pay. From 1 April 2020 – 31 March 2021 these rates were as follows:

<i>Band</i>	<i>Range</i>	<i>Contribution Rate</i>	<i>50/50</i>
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,800	5.80%	2.90%
3	£22,801 to £37,100	6.50%	3.25%
4	£37,101 to £46,900	6.80%	3.40%
5	£46,901 to £65,600	8.50%	4.25%
6	£65,601 to £93,000	9.90%	4.95%
7	£93,001 to £109,500	10.50%	5.25%
8	£109,501 to £164,200	11.40%	5.70%
9	£164,201 or more	12.50%	6.25%

The LGPS is a defined benefit "career average" scheme. For each year of membership, a pension equal to a 49th of an employee's pensionable pay in that year will be accrued. Inflationary increases are added in subsequent years to ensure that the pension keeps up with the cost of living.

The administering authority is also required to make provision to enable employees to make additional voluntary contributions (AVC's) to purchase enhanced pension benefits. The AVC providers for the Camden Pension Fund are Phoenix Life and Prudential Assurance.

TCFD reporting

The Task Force for Climate-related Financial Disclosures (TCFD) was convened by the Financial Stability Board in 2015 to "develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding material risks". Official supporters of the TCFD total 930 organisations representing a market capitalisation of over \$11 trillion. Disclosure that

aligns with the TCFD recommendations currently represents best practice. The TCFD published its final report in June 2017, setting out overarching recommendations in four thematic areas: governance; strategy; risk management; and metrics and targets. Beneath these sit 11 recommended disclosures that provide more granular detail on the information to be disclosed under each of the recommendations.

The design and structure of the recommendations are intended to provide the market with decision-useful, forward-looking information on how organisations are addressing climate-related risks and opportunities in their activities.

Following the Department for Work & Pensions' announcement in June 2021 of how private sector pension schemes would have to meet obligations under TCFD it has also been reported that DLUHC intends to consult year on the implementation of mandatory TCFD-aligned reporting in the local government pension scheme (LGPS) by 2023.

Mandatory TCFD-aligned disclosures would require that organisations provide decision-useful information to help:

- build awareness of climate-related risks, opportunities and impacts across the economy
- integrate assessment and management of these risks, opportunities and impacts
- inform investment decisions, improving market effectiveness through more efficient pricing and allocation of capital, empowering stewardship and driving economic change to support the transition to a lower carbon economy and resilience to physical climate risks
- stimulate the development of green financial products – and competition between providers of these products – with follow on benefits for consumers.

The Camden Pension Fund is supportive of these proposals, and will aim to introduce the disclosures ahead of the mandated timeline. In November 2020, the Pensions Committee agreed to commit the Fund to introduce TCFD-aligned reporting on its investments as far as possible from 2021.

All of the Fund's managers had become formal Supporters of the TCFD initiative by March 2021, but we have only received assurances that portfolio-level TCFD-compliant reporting will become available from a handful of our investment managers. These are Baillie Gifford, Ruffer, and CQS, all within the London CIV, and Insight. The Fund would like all managers to make the same commitment and will work with them and apply pressure to ensure that we can take the lead in TCFD reporting in the LGPS.

SECTION 3: SCHEME MANAGEMENT

Scheme Management and Advisers

The roles, names and addresses of officials responsible for the management and advice given to the Fund can be found in **Appendix 4**, as part of the Investment Strategy Statement.

Risk Management

The Camden Pension Fund has a [Funding Strategy Statement \(FSS\)](#) which is a summary of the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuations. The Fund last reviewed its Funding Strategy in 2019 and was agreed in March 2020 by the Pension Committee – the FSS will be reviewed again in the last quarter of 2022.

There are four common approaches to dealing with identified risk:

- **Avoidance of risk** – desist from participating in the activity that gives rise to the risk in future.
- **Reducing the risk** – take action to minimise the likelihood of the risk occurring, or taking action to minimise impact if risk occurs.
- **Transferring risk** – total or part transfer of risk, mostly through insurance.
- **Accepting the risk** – acknowledge the cost of effectively dealing with risk is disproportionate to the potential benefit to be gained, or that any action taken may be limited in reducing the risk.

The Administering Authority has an active risk management programme in place and presents a Risk Register to the Pension Committee on an annual basis, and was last reviewed in September 2021. The measures that the Administering Authority has in place to control key risks are summarised under the following headings:

- **Financial** - relate to investment risks which can include interest rate, currency, market – these nature of these risks and how the fund deals with them are detailed in the fund's Statement of Account.
- **Demographic** - relate to changes in demography that fall outside of the actuary's assumptions and therefore lead to increased fund liability
- **Regulatory** – that the national scheme will be changed by government or that new regulations brought in by government will result in increased fund liability
- **Governance** - the arrangement for overseeing the strategic investment of fund assets including ESG related issues and admissions/cessation of fund employers is inadequate; and
- **Administrative** – that the process and resources in place to manage the daily operation of the fund are inadequate.

More information on risk can be found in the FSS, and the ISS also outlines the Authority's approach to risk and the measurement and management of those risks. The risk register is appended at **Appendix 6**.

Internal Audit

Internal Audit undertook a comprehensive audit of the pensions administration and investments functions in 2020/21. The scope of this audit extended to the following areas:

- Joiners
- Employee and Employer Contributions
- Benefits, Retirement Pensions and Grants
- Transfers and refunds
- Fund Management
- Pensions Data and Security
- Reconciliations
- Actuarial Valuations and Assumptions
- Performance monitoring

The most recent internal audit report in January 2022 gave substantial assurance indicating that there is a largely sound system of control and highlighting some minor weaknesses. The review identified no critical or high priority findings.

External Audit

Camden appointed Mazars who will be carrying out the external audit on the Statement of Accounts for both the Council and Pension Fund in 2020/21. Due to the COVID pandemic the deadlines for submission of the 2020/21 draft accounts to the auditors have been relaxed. Usually the deadlines are to hand over the draft accounts by the end of May and for the audit to be complete by the end of July. Despite this relaxation in 2019/20, the Council complied with the end of May deadline handing over the accounts for the Pension Fund (and Council) but it has not been possible to complete the audit due to valuation uncertainties on the main accounts. The auditor usually signs off both the main accounts and Pension Fund accounts at the same time and so at this point the Pension Fund accounts certificate for 2019/20 remains outstanding. No major issues with the opinion on the Pension Fund accounts however are expected. The Council will shortly be handing over the complete set of accounts for 2020/21 including the Pension Fund accounts once 2019/20 is signed off.

Management of third party risks

All of our fund managers and our custodian have external verification of their internal controls by their own external auditors. External auditors comment on whether the controls were suitably designed and operated effectively throughout the reporting period.

(a) Fund Managers

For fund managers, auditors typically issue a report of the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These reports describe

internal controls in operation, and tests of operating effectiveness in the third party's control environment. The statement also provides information on third party controls that may be relevant to the internal controls of clients.

Camden has obtained the following control reports, the most recent available for each fund manager. Some reports have been written to comply with more than one set of control standards, to cover a mixed client base.

Investment Company	Report Type	Reporting year to	Assurance Level	Auditor
Baillie Gifford & Co	ISAE 3402	30th Apr 2021	Reasonable Assurance	PwC
Barings Asset Management Ltd	SOC1	30th Sep 2020	Reasonable Assurance	Grant Thornton LLP
CBRE Global Investment Partners	ISAE 3402/ AAF 01/06	31 st Dec 2020	Reasonable Assurance	KPMG LLP
Harris Associates LP	SOC1	31 st Aug 2020	Reasonable Assurance	Ernst & Young LLP
HarbourVest Partners LLC	SOC1	30 th Sep 2020	Reasonable Assurance	Ernst & Young LLP
Insight Investment Management Ltd	ISAE 3402/ SSAE 18 Type II	30 th Sep 2020	Reasonable Assurance	KPMG LLP
Legal & General Investment Management (Holdings) Ltd	ISAE 3402 / AAF 01/06	31 st Dec 2020	Reasonable Assurance	KPMG LLP
Partners Group Holding AG	ISAE 3402	31 st Dec 2020	Reasonable Assurance	PwC
Ruffer LLP	ISAE 3402 / AAF 01/06	31 Mar 2021	Reasonable Assurance	Ernst & Young LLP
Standard Life Investments Ltd	ISAE 3402 / AAF 01/06	30 th Sep 2020	Reasonable Assurance	KPMG LLP
CQS	SOC1	31 st Dec 2020	Reasonable Assurance	Deloitte
Stepstone	SOC1	30 th June 2021	Reasonable Assurance	Ernst & Young LLP

(b) Custodian

JP Morgan is the Fund's custodian. The control report for JP Morgan for the year to 30 September 2020 was prepared by PricewaterhouseCoopers in accordance with International Standard on Assurance Engagements (ISAE) 3402.

In each case the auditor assessed the internal control procedures as written in the report, and concluded that

- The report description fairly presents the investment management activities that were designed and implemented throughout the period;

- The controls related to the control objectives were suitably designed to provide reasonable assurance that the control objectives would be achieved if those procedures were complied with; and
- The control procedures that were tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved in the period.

(c) Pool operator – London LGPS CIV Ltd

The London Collective Investment Vehicle have stated that they do not themselves have an internal controls report, but internal controls reports have been received for each manager of each CIV sub-fund in which the Fund has investments, and also for the CIV's administrator, Northern Trust. This last for the year to 30 September 2020 was prepared by KPMG in accordance with International Standard on Assurance Engagements (ISAE) 3402, and provides reasonable assurance in a similar manner to the Fund's custodian, above.

Statement of Accounts for 2020/21

The Statement of Accounts for the financial year to 31 March 2021 have been compiled by officers of the Fund and will be submitted to the external auditors, Mazars. The statements and notes relating to the Pension Fund can be found in **Appendix 1** starting on page 41.

Responsibilities of the Executive Director Corporate Services

The Executive Director Corporate Services is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing the Statement of Accounts, the Executive Director Corporate Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Review of Administration

Arrangements for Scheme Member & Pensioner Administration

The Local Government Pension Scheme regulations require employing and administering authorities to work together to ensure the effective running of the scheme. The administering authority is responsible for pension fund investments, the calculation

and payment of benefits and for maintaining scheme member records and computerised administration systems. The employing authority is responsible for applications to join or leave the scheme, assigning employees to the correct contribution band, deciding when to pay retirement benefits and providing relevant employee data to the administering authority.

The London Borough of Camden is both an administering and employing authority. The pension administration function of the administering authority is carried out by the Pensions Shared Service (PSS), set up between Camden and Wandsworth, and now also including Merton, Richmond and Waltham Forest. The employing authority role falls to Camden's Human Resources service although some employing authority functions (such as the calculation of final pay) are performed by the PSS.

There are a number of active Scheme employers within the Camden fund comprising of 19 admission bodies, 5 academies and one scheduled body not including Camden Council itself. For members in these arrangements it is their employer that carries out the employing authority functions.

There is another group of members who work in Camden's schools who are employed by Camden but are not paid through Camden's payroll system. The PSS do not have direct access to contractual information relating to the scheme members and therefore has to rely on the schools, admitted bodies and scheduled bodies to provide information on starters, leavers and amendments. High levels of the PSS's resources are dedicated to this group of staff as they are more onerous to administer than staff on Camden's payroll system. The PSS works with these employers in an effort to improve the quality and timeliness of this data.

Administration of the pension payments is undertaken by the PSS and the payroll is run on the Council's ORACLE financial system. The Fund provides twelve monthly payments a year with a payslip posted to home addresses in March, April and May and also when the net pension differs by more than £1 from the previous month.

Internal Dispute Resolution Procedure (IDRP)

IDRP is a two stage system with Stage 1 being considered by the Head of Pension Shared Service. A notification of the right to access IDRP is included with any notification of decisions made by the Fund such as benefit notices. The Stage 2 officer is the Council's Borough Solicitor. In 2020/21 there were no IDRP complaints.

Key Uses of Technology

The staff of the PSS have direct access to the payroll records of the majority of the scheme's active members through the Payroll/HR module of the Council's main financial information system, ORACLE. There are monthly interfaces from Oracle to the pensions administration system, ALTAIR. The interfaces allow transfer of data for new starters, contractual changes such as changes in hours and personal changes such as home addresses.

There is also an annual interface for posting pension contributions. For members that are not paid through ORACLE, such as staff working in schools or for external bodies that have an admission agreement with the Council, the PSS relies on these outside

bodies to provide the data. To improve the timeliness and accuracy of data from external bodies the PSS commenced the onboarding of the i-Connect system which facilitates the electronic transfer of data monthly.

The Scheme is also in the process of implementing i-Connect - with all employers on this system and the Council in the final throes of testing this and going live (the Council has the most complex payroll). This will improve the flow of data between PSS and payroll systems used by the different employers in the Fund, which minimises manual intervention in the process and ensures data integrity. The system will directly take data from employers' payroll systems, automatically identifying new joiners, opt-outs and leavers and seamlessly generate an extract for submission to PSS in a single solution.

There is a range of pensions information available on the internet. Details of this information, and where it can be found, are contained within **Appendix 5: Camden Pension Fund Communications Policy Statement**

Scheme Administration Costs

The cost of administration in 2020/21, including actuarial fees, was £581,670; this is equivalent to £25.69 per member.

Martin Doyle
Head of Pensions Shared Service

Administration Performance

Camden constantly monitors the performance of the administration shared service, who pay out Pension Fund benefits, against targets using a computerised workflow management system. The results achieved in 2019-20 are set out in the table below.

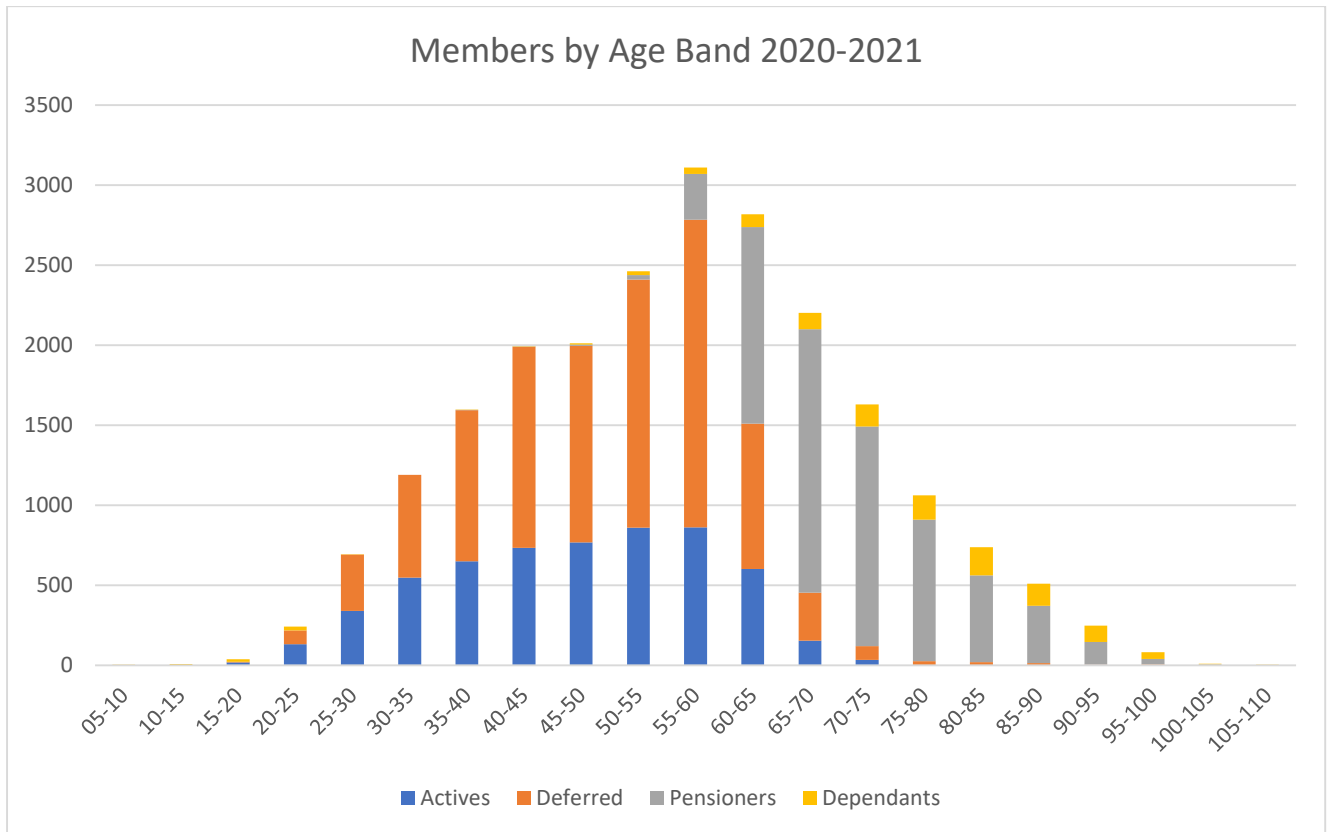
Work Area	Target	Actual	
		2019/20	2020/21
New Scheme Member	95.00%	99.40%	99.85%
Transfers In	95.00%	91.87%	94.30%
Early Leavers	95.00%	99.84%	99.06%
Transfers Out	95.00%	93.44%	83.50%
Refunds	98.00%	99.51%	100.00%
Pension Sharing on Divorce	98.00%	96.00%	100.00%
Retirements	98.00%	98.22%	98.97%
Deaths	98.00%	92.65%	95.14%

During 2020/21, the service had to adapt its processes to the global emergency and change working practices and hold off on recruitment. The guidance from the Pensions Regulator at the time was for pension administrators to concentrate services on maintaining their critical processing e.g. making payments to members. The effect of the maintaining essential services was to move staffing and increase turnaround times on non-critical tasks like transfer payments out of the Pension Fund.

Cost of Service	2016/17	2017/18	2018/19	2019/20	2020/21
Cost per member	£27.44	£23.45	£24.47	£27.70	£25.69

The costs are those purely attributable to the cost of administration (staff costs, overheads and administration systems £513k, and Actuaries costs £69k). Investment costs are excluded from these figures.

Membership of the Fund	2016/17	2017/18	2018/19	2019/20	2020/21
Actives	4,939	5,210	5,402	5,698	5,699
Deferreds	8,953	9,211	9,326	9,467	9,354
Pensioners	6,866	7,004	7,185	7,431	7,589
Total	20,758	21,425	21,913	22,596	22,642



Pensioners with Enhanced Benefits

Year Ending 31st March	Ill Health	Early Retirement / Voluntary Redundancy	Total
2021	755	616	1,371
2020	774	773	1,547
2019	825	857	1,682
2018	835	885	1,720
2017	971	874	1,845
2016	889	1,029	1,918
2015	905	1,090	1,995
2014	901	1,116	2,017
2013	914	1,184	2,098
2012	939	1,236	2,175

SECTION 4: SCHEME GOVERNANCE

Introduction

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities to prepare and maintain a separate written statement on governance policy on pension fund matters. The Department for Levelling Up, Housing and Communities (DLUHC) has published draft regulations requiring pension funds to report on their governance arrangements against a set of best practice principles. Where a pension fund's compliance does not meet the required standards there is a requirement to explain, within the governance compliance statement, the reasons for not complying

The compliance principles are not mandatory but are considered best practice.

The London Borough of Camden Pension Fund's Governance Compliance Statement is attached as **Appendix 2** of this report. Additional compliance information is included in the Statement of Investment Principles in **Appendix 4**.

Governance Structure

The London Borough of Camden, in its role as administering authority, has executive responsibility for the Fund. The Pension Committee consider all matters relating to the management and administration of the Fund. The revised terms of reference were agreed at full council on 2nd March 2015 that the Audit and Corporate Governance (Pensions) Sub-Committee be established as a committee in its own right and is now called the Pension Committee. It became effective from the start of the 2015/16 municipal year. The terms were slightly amended just after the end of the financial year (regarding voting rights and delegation to the Chair outside of normal committee timescales where there is urgency). Council subsequently amended the terms of reference again on 17th May 2017 to take account of the requirement to formulate and maintain an Investment Strategy Statement, as introduced in the 2016 LGPS Regulations.

PENSION COMMITTEE TERMS OF REFERENCE

General

- To act as Trustees of the Councils Pension Fund within the terms of the Superannuation Act 1972 and to administer all matters concerning the Council's pension investments in accordance with any applicable law and policy
- To make arrangement for the appointment of and appoint suitably qualified investment managers and custodians and to periodically review those arrangements
- To ensure that appropriate and sufficient training has been undertaken by all members of the Committee in order to discharge their functions
- To take proper advice from officers, investment consultants, independent investment adviser, pension board and actuary

Investment

- Set and review Investment strategy for the Fund
- To formulate and publish a Investment Strategy Statement
- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers, the performance measures to be set for them and review investment management performance against targets
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles
- Ensure the Fund's voting rights are exercised in line with the Fund's voting policy to ensure the best outcome for the Fund's investment purposes and ensure engagement supports the investment strategy and Fund's performance, except co-filing requests put forward by the LAPFF; and support for resolutions in respect of companies that the Fund does not have a direct shareholding in, which remains a matter for the Executive Director Corporate Services in consultation with the Chair of the Pension Committee unless time allows for the matter to be reported to the Committee for decision.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.

Liabilities

- To review the risks inherent in the management of the Pension Fund
- To review the strength of admitted bodies and ability to honour their liabilities
- To agree and keep under review a Contribution Strategy and agree the Triennial Valuation
- Admit new and exit ceasing employers as and when these arise
- To monitor liabilities and ensure progress towards full funded status of all employers
- To understand the maturity of the Fund and keep cash flow considerations under review

Membership and Voting Rights of the Committee

The membership of the Committee will consist of:

- 8 members (currently 6 from the majority party and 1 each from two other parties) – one of these members will chair the Committee
- Officers of the Council (non-voting)
- Representatives of the unions (non-voting)
- A representative of the retired members (non-voting)

Decision Making Protocol

- The Committee should aim to reach consensus in decision-making. Where agreement cannot be reached a majority vote will apply. Voting rights are restricted to Members, with the Chair having the casting vote if required.
- For decisions to be valid at least three voting members of the Committee must be present.
- Committee members will receive training and guidance on all matters requiring a decision prior to meetings where these issues are on the agenda.

Members Code of Conduct

All members of the Pension Committee are bound by the members Code of Conduct set out in the Councils Constitution. Members are required to register disclosable pecuniary interests and, if any interest is not entered in the register, to disclose the existence and details of such interests to the meeting. Where such interests are relevant to matters being discussed at any meeting members are restricted in participating and voting at such meetings. In the interests of transparency, the Code of Conduct also requires the disclosure of non-pecuniary interests.

Pension Committee – 2020/21

The following table lists the membership of the Pension Committee during the year and their attendance at meetings.

Attendance at Pension Committee Meetings	20 Jul 2020	9 Sept 2020	24 Nov 2020	2 Mar 2021
Cllr Rishi Madlani (Chair)	YES	YES	YES	YES
Cllr Heather Johnson (Vice-chair, from 9.9.20)	YES	YES	YES	YES
Cllr Abdul Quadir	YES	YES	YES	YES
Cllr Jenny Mulholland	YES	YES	YES	NO
Cllr Ranjit Singh	NO	NO	NO	NO
Cllr Lorna Russell	YES	YES	YES	YES
Cllr Stephen Stark	YES	NO	YES	YES
Cllr Shiva Tiwari	YES	YES	YES	YES

Training received by Pension Committee – 2020/21

The training needs of Members are covered at the quarterly Pension Committee meetings and semi-annual designated training sessions arranged by officers, with input from consultants and investment professionals, where the need arises. Members and officers may also be invited to attend conferences and seminars where appropriate by investment managers or other organisations.

Committee Meetings

The Pension Committee reviews a number of standing items at each quarterly meeting, including an update on the performance of the investment portfolio, a review of the engagement and voting activity undertaken since the last meeting, and an update on the progress made by the London Collective Investment Vehicle. Alongside these items, the Pension Committee discussed the following reports during 2020/21:

July 2020

A review of the Fund's investment strategy, considering the funding levels and the asset allocation. A decision was made to diversify the portfolio away from equities – to an asset allocation of 50% rather than 65%, with further investments to be made in bonds.

A report on the pension fund cash flow and membership statistics for the previous year and over the longer term.

An update to the risk register for the Pension Fund, with an action plan stating how risks will be managed.

September 2020

A report into Long Lease Property, proposed during the previous meeting. This report reviewed the London CIV's Inflation Plus fund against similar investment opportunities.

A report considering the comparative analysis of Environmental, Social and Governance (ESG) metrics by each of the Fund's investment managers.

The 2019-20 Annual Report to the Pension Committee. The Pension Fund is required to produce an Annual Report under the Local Government Pension Scheme Regulations 2013/2356.

November 2020

A report covering sustainable equity and inflation-linked asset allocations. This report arose as a result of decisions made at July's meeting. This reviewed possible investments available to the Fund.

An update on the Fund's Carbon Footprint of its equity assets and other asset classes, including progress made on lowering the carbon footprint thus far.

A report reviewing the status of admitted bodies within the Fund.

March 2021

A report reviewing the proxy voting carried out by the Pension Fund from 1st January 2020 to 31st December 2020. Advisory services are provided by Pensions & Investment Research Consultants Ltd (PIRC).

A report setting out the proposed guidelines and forms the policy on which Camden will submit proxy voting on shares held in the Camden Pension Fund, for the calendar year to come.

Investment Manager Meetings

There is also a rolling programme of routine review meetings with the Pension Fund's appointed investment managers. During 2020/21, Members of the Pension Committee met with Harris, Legal & General Investment Management, CBRE, Partners, Barings, HarbourVest, CQS, and Stepstone.

Officer Arranged Training Sessions

July 2020	Club Vita analysis on longevity trends used in the Triennial Valuation
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Investment Seminars and Conferences attended by Members

London Pension Fund Chair's Forum
London CIV Annual General Meeting
LAPFF Business Meetings (quarterly) and AGM
LAPFF Annual Conference

Pension Board – 2020/21

The following table lists the membership of the Pension Board during the year and their attendance at meetings.

Attendance at Pension Board Meetings	8 October 2020
Cllr Richard Olszewski (Chair) – Council representative	YES
Vinothan Sangarapillai – Employee representative	YES
Steve Worrall – Employer representative	YES

Training received by Pension Board – 2020/21

Members of the Board are generally invited to attend the same training sessions as those attended by the Members of the Committee where appropriate.

Board Meetings**October 2020**

A set of reports from the Executive Director Corporate Resources updating the Board on Committee reports and decisions made in July 2020 and September 2020. The Board also considered the following separate items:

- Climate Change Funding Impact
- The Prepayment of secondary contributions
- Fund maturity

SECTION 5: INVESTMENT POLICY & PERFORMANCE

The following commentary is based on analysis provided by the Fund's performance measurer, PIRC.

Investment Review to 31 March 2021

In the 2020/21 year, the average local authority pension fund participating in PIRC's performance measurement benchmarking universe delivered an investment return of 22.8%. This reflected excellent equity returns in all markets around the world. The Camden Pension Fund outperformed this average, with a 31% return overall, 8th in rank out of 64 funds in the PIRC universe over 2020/21. Camden's equity investment performance was even higher, 43.3% over the year. The Fund's performance over all time horizons is above the strategic benchmark return of 4.5% per annum as per the 2019 triennial valuation.

2020/21 saw financial markets react to the impact of the pandemic, but with many of the initial fears already priced-in by the end of 2019/20, the quarter to June 2020 saw strong gains for equities. Defensive assets performed less well – the outlook for some classes such a property remains uncertain.

Among LGPS funds, certain trends in asset allocation have continued. There is continued movement away from UK equities and gilts in favour of overseas investments, and there is more investment in bespoke sustainable investment vehicles – 11% of LGPS assets are now held in such funds, and among carbon-exclusive equity funds. Climate -aware investment practices have lead to higher levels of engagement between LGPS funds and their assets.

Across the LGPS universe, strategic asset allocation remained broadly static, most of the change to fund weighting came about from the relative market movements over the year (equity allocations rose by 5%). In 2020/21, the typical percentage allocation was: equities (56%), bonds (17%), cash (2%), alternatives (14%), diversified growth (4%) and property (8%). Equities remain the largest allocation within most funds' assets and 80% of this allocation is now invested overseas. Many funds have found themselves overweight in equities due to the year's strong gains in this sector. Alternatives have increased markedly over the past decade. Private equity makes up a half of this allocation with infrastructure and diversified growth increasing in recent years and expected to increase further.

The Camden Fund is structured differently from the average. The key difference is the relatively high level of equities, at 65% and lower investment in alternatives and bonds (12.5%, combined). In 2020/21, this has given the Fund higher returns than the average, although it exposes the Fund to more volatility. The Investment Strategy review conducted in 2020/21 will, over time, lead to changes in this asset composition.

The long-term performance of the LGPS remains strong. The average fund has delivered a positive return in 27 of the last 30 years and delivered an annualised performance of 8.6%, well ahead of inflation. Equities have driven the strongest long-term performance. Alternatives have performed strongly due in a large part to the excellent returns from private equity. Property remains an important asset for many funds to diversify their portfolios.

Asset Allocation Strategy

The Fund's assets are invested in various different investment vehicles with the objective of both generating returns to improve the funding level and diversifying investments to reduce risk. Specialist fund managers have been appointed to invest in the different asset classes within investment parameters set by the Council in conjunction with the Fund's investment advisers. The following table details the fund managers, the mandate they operate, the value of their portfolio at 31 March 2021 and their holdings expressed as a percentage of total Fund investments.

Fund Manager	Mandate	Value at 31 March 2021 (£000)	% of Fund
Baillie Gifford & Co (LCIV)	Equities - Global	431,672	20.63%
Barings	Diversified Growth Fund	137,556	6.57%
CBRE	Property - UK	92,056	4.40%
CQS (London CIV)	Multi Asset Credit	51,814	2.48%
HarbourVest	Private Equity	42,435	2.03%
Harris Associates	Equities - Global	320,645	15.32%
Insight	Absolute Return Bonds	98,071	4.69%
Legal & General	Equities - Global	359,078	17.16%
Legal & General	Equities - UK	251,938	12.04%
Legal & General	Index Linked Gilts	43,632	2.08%
Partners Group	Property - Global	83,197	3.98%
Ruffer (London CIV)	Diversified Growth Fund	70,868	3.39%
Standard Life	Diversified Growth Fund	41,600	1.99%
Stepstone (London CIV)	Infrastructure	25,095	1.20%
Others	Cash holdings &c	43,068	2.06%
TOTAL		2,092,734	100%

The sum of £43.1 million classed as 'Others' includes cash held at the Custodian of £41 million and £1m of income receivable. Also included in this category is £150,000 of London CIV shares.

The various performance figures for the Fund are shown in the Pension Fund Accounts in **Appendix 1** starting on page 41.

The Fund's 10 Largest Holdings as at 31 March 2021

Investment	Value at 31 March 2021	% of Total Fund
	£'000	
Baillie Gifford Global Alpha Fund	431,672	20.60%
Legal & General Global Equity Index Fund	359,078	17.20%
Legal & General UK Equity Index Fund	251,938	12.00%
Barings Dynamic Asset Allocation	137,566	6.60%
Partners Group UK	83,197	4.00%
CB Richard Ellis Collective Investors Ltd	92,056	4.40%
Insight Investment Bonds Plus 400	98,071	4.70%
Ruffer (London CIV)	70,868	3.39%
CQS (London CIV)	51,814	2.48%
Legal & General	43,632	2.08%

Corporate Engagement and Socially Responsible Investment

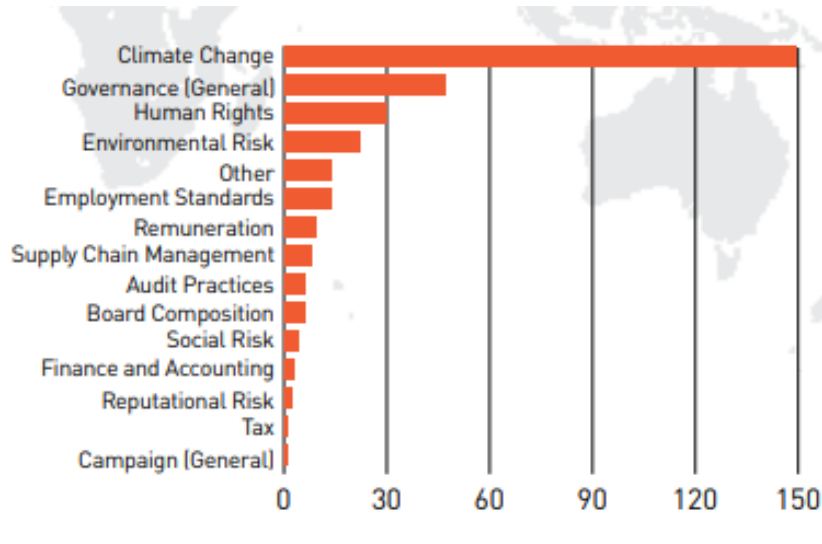
The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Investment Strategy Statement, the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund's behalf.

The Fund believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards might be expected to produce shareholder returns that are at least comparable to those produced by other companies.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF was formed in 1990 and is a voluntary association of local authority pension funds based in the UK. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which its members invest. The Forum's members currently have combined assets of more than £300 billion.

LAPFF has campaigned on a number of issues and the split of issues can be seen below. The graph is based on corporate engagement over the year to December 2020, via letters, conference calls, filed resolutions or meetings.

LAPFF ENGAGEMENT TOPICS



The 2020 LAPFF Annual Report, summarising activity and highlighting the organisation’s achievements can be found via the following link:

[LAPFF ANNUAL REPORT 2020](#)

Voting Rights

The Fund believes in the role of proactive engagement as the most effective way of influencing companies in relation to social, environmental and business policies whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives. The fund therefore places great importance on the exercise of voting rights attached to the Fund's investments.

Camden has appointed PIRC to provide the services of Corporate Governance Advisor and proxy voting agent to the Fund. The aim of the advisors has been to research companies with which the Fund has voting rights, and to ensure that those voting rights are used in the most advantageous way. The Fund has agreed a bespoke voting policy and PIRC ensure that votes are cast in line with the Camden policy for all segregated company shares, as well as the proportion of shares held in pooled UK equity fund held by the Camden.

In the calendar year 2020, voting took place as follows:

Resolution Type

Vote	Occurrences	Proportion
For	8,076	69.66%
Against	3,431	29.59%
Withhold	11	0.09%
Abstain	0	0.00%
Non-Voting / Withdrawn	72	0.62%
US Frequency Vote on Pay	4	0.03%
Total	11,594	100%

The Camden Pension Fund voted shares at 803 separate company meetings during the year.

Further Information

There are more details on how the Fund engages in responsible investment in Section 7 of the Investment Strategy Statement attached as **Appendix 4** of this report.

SECTION 6: ACTUARIAL REPORT FOR THE YEAR ENDED 31 MARCH 2020

Introduction

The Scheme regulations require that a full actuarial valuation is carried out every three years. The purpose of this is to establish that the London Borough of Camden Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to assess the adequacy of employer contribution rates. The last full actuarial valuation into the financial position of the Fund was carried out as at 31 March 2019, in accordance with regulation 62 of the Local Government Pension Scheme Regulations 2013. The contribution rates for the 2020/21 financial year are based on the March 2019 valuation. The results of the 2019 triennial valuation which sets out the contribution rates for the financial years 2020/21 – 2022/23 were published in 2019. The next triennial valuation will be in March 2022 and will report to Pensions Committee in September 2022.

Actuarial Position

1. Rates of contribution paid by the participating Employers during 2020/21 corresponded to those stipulated in the actuarial valuation carried out as at 31 March 2019. The rates of contribution from the March 2019 valuation covered the three financial years from 2020/21 up to 2022/23.
2. The valuation as at 31 March 2019 indicated a funding ratio of 103%, with the value of the Fund's assets (£1,657 million) representing 103% of the assessed liabilities (£1,613 million). The increase in the funding ratio is primarily a result of strong investment performance over the inter-valuation period. The liabilities also decreased due to a change in actuarial assumptions (demographic, longevity, salary increases, a discount rate equal to the forecasted higher investment return) all serving to reduce the value placed on future liabilities.
3. The valuation also calculated that the required level of contributions to be paid by the Fund by participating Employers (in aggregate) with effect from 1 April 2020 was as set out below:
 - 19.2% of pensionable pay to meet the liabilities arising from service accruing after the valuation date by current employees.
 - the following monetary amounts to the fund deficit over a period of 20 years from 1 April 2020.

Financial Year	2020/21	2021/22	2022/23
Monetary Amount	£22,214,000	£23,788,000	£25,406,000

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2020 to 31 March 2023, with comparison to the rates of 2019/20, are set out in the rates and adjustments certificate, which is appended to the actuary's final valuation report, which can be found through the following link:

[Camden Pension Fund Actuarial Valuation Report 2019](#)

5. The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.
6. The main actuarial assumptions were as follows:

Financial Assumptions	31 March 2016 (% p.a.)	31 March 2019 (% p.a.)
Discount rate	3.8%	4.5%
Price inflation	2.1%	2.3%
Pay increases	2.8%	2.7%
Benefit increases and CARE revaluation (CPI)	2.1%	2.3%
Expenses	0.8%	0.6%

7. This report has been prepared using information from the Actuarial Valuation as at 31 March 2019 supplied by the Fund's actuaries Hymans Robertson LLP.
8. An interim valuation was carried out in November 2021. As at the end of September 2021, Fund assets stood at £2.2bn which is an annualised return of 31% and higher than expectations embedded in the last triennial valuation of investment returns of 4.5%. This leads to an overall funding level rising from 103% funded as at March 2019 to an estimated 130% funded as at September 2021. The surplus for the whole Fund, in cash terms, has risen from £41m to £522m. Hymans attribute the strong surplus to the increase in asset values over the period

SECTION 7: FUNDING STRATEGY STATEMENT

Introduction

All LGPS funds are required to prepare and maintain a Funding Strategy Statement (FSS) in accordance with Regulation 35 of the Local Government Pension Scheme (Administration Regulations 2008).

The Funding Strategy Statement from July 2021 is attached as **Appendix 3** of this report.

Implementation and Review

The FSS is reviewed formally at least every 3 years as part of the triennial actuarial valuation of the Fund. The valuation exercise establishes contributions for all employers contributing to the Fund for the following 3 years within the framework provided by the strategy.

The Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- if there have been significant changes to the Fund membership, or LGPS benefits.
- if there have been changes to the circumstances of any of the employers to such an extent that they impact on or warrant a change in the funding strategy.
- if there have been any significant special contributions into the Fund.
- If there have been any amendments to administration regulations.

The authority carries out detailed monitoring of investment performance on a quarterly basis via its Pension Committee. This includes monitoring of investment performance relative to the growth in the liabilities by means of quarterly funding updates provided by the actuary.

Discussions take place at regular intervals with the Actuary as to whether any significant changes have arisen which require immediate action.

The only major changes are revisions for the McCloud judgement, an age discrimination court case that stemmed from when the government reformed public sector pensions in 2015, but offered “transitional protection” to some members of the judges’ and firefighters’ schemes. In December 2018, the Court of Appeal ruled that this amounted to unlawful discrimination and in June 2019 the Supreme Court refused the government permission to appeal. As a result, the LGPS benefit structure is currently under review, which may mean the benefit structure needs to change, and revisions to update for trapped surpluses. These occurred where employers had paid contributions over the life of their contract that were more than required to fund liabilities at cessation i.e. a surplus of contributions. Previously any credit amounts

could not be paid back to employers. The Government has now introduced new regulations allowing Funds to pay back surplus money.

SECTION 8: INVESTMENT STRATEGY STATEMENT

The [Local Government Pension Scheme \(Management and Investment of Funds\) Regulations 2016](#) came into force on 1 November 2016 requiring funds to formulate an Investment Strategy Statement (ISS) after taking proper advice.

The ISS must include the following:

- a) A requirement to invest money in a wide variety of investments;
- b) The authority's assessment of the suitability of particular investments and types of investments;
- c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
- d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This is known as the prudential framework and means funds now have control over limits placed on specific types of investment.

The Fund must review and revise this statement regularly and at least once every three years. The Fund also has a duty to consult relevant parties and for this Fund we will be consulting all employers who participate in the Fund.

The Investment Strategy Statement for the London Borough of Camden Pension Fund is attached at **Appendix 4** of this report.

SECTION 9: COMMUNICATIONS POLICY STATEMENT

Since December 2010 pension fund information has been made available on the Camden website.

Some of the features of the website are:-

- Navigation – the pension pages can now be easily accessed by using the address www.camden.gov.uk/pensions in a web browser or by entering 'pensions' or 'pension fund' into the search facility from the Camden website homepage
- Finding information – we have adopted the principles of having a separate gateway from the pensions homepage to information
- Updating the pages – members of the Pension team have been trained in web publishing and given responsibility to ensure the pages are maintained and regularly updated
- Raising the profile of the pension pages – whenever a scheme member requests information or form (e.g. a death grant nomination form/change of bank form/details for paying additional contributions) they are encouraged to self-serve using the web pages. Reference to the web pages will be made in all communication from the Pensions Administration Shared Service and all newsletters are available in the first instance online, unless a member does not have internet access in which case they will be provided with a hard copy.
- General information for scheme members will be available via links to external websites (DWP/HMRC etc.) to help set LGPS benefits in the wider context of state benefits and general taxation

The Camden Pension Fund Communications Policy Statement is attached at **Appendix 5**.

SECTION 10: FURTHER INFORMATION

Sources of help

The Pension Tracing Service

The Pension Tracing Service online holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members (and their dependents) with pension entitlements, who may have lost touch with earlier employers.

www.gov.uk/find-lost-pension

The Pensions Advisory Service (TPAS)

TPAS is available to help members and their beneficiaries with any pensions query, or to resolve any difficulties encountered that have not been resolved with the Council. Enquiries should be addressed to:

The Pensions Advisory Service
120 Holborn,
London, EC1N 2TD

Tel: 0800 011 3797

www.pensionsadvisoryservice.org.uk/

The Pensions Regulator

The Pensions Regulator regulates pension schemes such as the LGPS and is able to intervene in the running of the scheme where managers, employers or professional advisers have failed in their statutory duties. The Regulator can be contacted at:

Napier House,
Trafalgar Place,
Brighton BN1 4DW

Tel: 0345 600 1011

www.pensionsregulator.gov.uk

The Pensions Ombudsman

If a complaint or dispute cannot be resolved, it can be passed to the Pensions Ombudsman for adjudication. The Ombudsman can investigate and determine any dispute of fact, law or maladministration involving occupational pension schemes.

This service is available to members and beneficiaries.

The Pensions Ombudsman can be contacted at the following address:

10 South Colonnade,
Canary Wharf,
London E144PU

Tel: 020 7630 2200

www.pensions-ombudsman.org.uk

Ministry of Housing, Communities and Local Government

The LGPS is a statutory pension scheme with regulations laid down by Parliament by the Secretary of State for Housing, Communities and Local Government.

The Secretary of State can be contacted by writing to:

Secretary of State of Housing, Communities and Local Government
2 Marsham Street
London SW1P 4DF
Tel: 0303 444 0000

<https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government>

SECTION 11: GLOSSARY OF PENSION TERMS

Accrual

The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Active Mandate

A portfolio management strategy where the manager actively builds and repositions portfolios to take advantage of apparently favourable market opportunities. It results in portfolios which differ in terms of holdings or weightings from the structure of the manager's benchmark.

Actuary

An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The actuary then produces a report, known as the actuarial valuation report, which compares the Fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Added years

Additional service that a member of the Fund can buy by paying extra contributions to the Fund providing that HM Revenue & Customs limits on pension and contributions are not exceeded.

Additional Voluntary Contributions (AVC's)

An option available to individual members to secure additional pension benefits by making regular payments to the Pension Fund's AVC provider.

Asset Allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Asset Class

A collective term for investments of a similar type. The main asset classes are equities (shares), bonds, cash and property.

Benchmark

A yardstick against which the investment policy of performance of a fund manager can be compared. Asset allocation benchmarks vary from peer group (e.g. the average fund as measured by one of the performance companies) to customized benchmarks tailored to a particular fund's requirements.

Career Average Revalued Earnings (CARE) Scheme

A pension scheme that provides a pension/lump sum or pension calculated as a proportion of a member's average pay throughout their membership, and dependent on the length of membership in the scheme.

Cash Transfer Values

The capital value of a benefit entitlement paid into or withdrawn from the Fund when an employee joins or leaves the scheme with a pension transfer.

Corporate Bond

Strictly speaking, corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by Governments in their own currencies. Therefore the credit sector, as it is often known, includes issues by companies, supranational organizations and Government agencies.

Custody

Administering of securities by a financial institution. The custodian keeps a record of a client's investments and may also collect income, process tax claims and provide other services, according to client instructions.

Deferred Pension

The pension benefit payable from Normal Retirement Age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age.

Defined Benefit Scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promise.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce risk.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and Overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder meetings.

Final Pensionable Pay

Pensionable Pay earned in the last 12 months before retirement (or any one of the previous two years if annual earnings in either of these years are higher).

Final Salary Scheme

A pension scheme that provides a pension/lump sum or pension calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed Interest

An income stream which remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

Fixed Interest Securities

Investments, mainly in Government stocks, which guarantee a fixed rate of interest. Investments in Government stocks represent loans to Government which are repayable on a stated future date.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market

Mandate

The agreement between a client and investment manager outlining how the fund is to be managed. May include performance targets by reference to a benchmark.

Passive Management

A portfolio management strategy where a portfolio is designed on a long-term basis to meet specific return parameters (e.g. achieving a target rate of return, matching a set of future liabilities, matching a benchmark return). A passive index fund, where most or all of a specified market index's constituent securities are owned in the same proportion as the index in order to match its return, is a common form of management.

Pensionable Pay

Basic pay excluding non-contractual overtime, bonus and shift payments.

Pooled Funds

Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Return

The value received (Income plus capital) annually from an investment, usually expressed as a percentage.

Unlisted Securities

Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

Valuation

A summary of an investment portfolio showing the holdings and their value as at a certain date.

Abbreviations

CIPFA Chartered Institute of Public Finance and Accountancy

MHCLG Ministry, of Housing Communities, and Local Government until September 2021, when it was renamed to the Department for Levelling Up, Housing and Communities (DLUHC)

LGPS Local Government Pension Scheme

SORP Statement of Recommended Practice

APPENDIX 1: FUND ACCOUNTS & NET ASSETS STATEMENT

Pension Fund Account

Pension Fund Explanatory Foreword

Introduction

The Council is the administrating authority for the Camden Pension Fund. The Fund is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Accounts have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

All employees become members on appointment with London Borough of Camden, or a scheduled or admitted body. The Fund's income is derived from contributions from employees and employers and income from investments.

The Fund operates as a defined benefit scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

The LGPS 2014 reforms came into effect from 1st April 2014. These regulations change the scheme from one based on final pay to one based on career average pay.

The following description of the Fund is a summary only. For further detail, reference should be made to the 2020/21 London Borough of Camden Pension Fund Annual Report and the underlying statutory powers underpinning the scheme, namely the Superannuation Act 1972, the Public Sector Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations. The 2020/21 Pension Fund Annual Report will be available in March 2022.

Fund Management

The day-to-day management of the Fund investments is carried out by the professional fund managers. As at 31 March 2021 there were 12 managers (31 March 2020: 12 professional fund managers) investing on behalf of the Fund:

- Baillie Gifford & Co (London LGPS CIV Ltd)
- Baring Asset Management Ltd
- CB Richard Ellis Global Investment Partners Ltd
- HarbourVest Partners LLP
- Harris Associates LP
- Insight Investment Funds Management Ltd
- Legal & General Investment Management Ltd
- Partners Group Management II S.A.R.L.
- Ruffer LLP (London LGPS CIV Ltd)
- Standard Life Investments Ltd
- Stepstone (London LGPS CIV Ltd)
- CQS (UK) LLP

The London LGPS CIV Ltd is a regulated fund manager that represents the pooled investments of 32 Local Authority Pension Funds. The London CIV has an Authorised Contractual Scheme fund structure. The umbrella fund (the CIV) has a range of sub-funds comprising different asset classes which are available for investment by participating local authorities, including both the Baillie Gifford & Co Global Alpha Growth Fund, the Ruffer LLP RF Absolute Return Fund, the CQS Investment Management Ltd Multi-Asset Credit Fund and the StepStone Group Infrastructure and Real Assets Fund.

LCIV has developed an internal fund monitoring structure, RAG (Red, Amber, Green), that feeds into the monitoring status of its Funds and shared among Client Funds. Based on this analysis LCIV has placed CQS, LCIV MAC Fund's sub-Fund manager, on "Enhanced Monitoring" since February 2020. LCIV is working together with existing Investors and CQS to address its concerns in respect to: performance; ESG; risk management and; investment cost and ensure that a suitable pool solution is on offer for Client Funds' assets.

LCIV's business model is built on high levels of engagement with Client Funds and Stakeholders and over the year LCIV revised its Fund Launch Framework (FLF), in particular with the use of Seed Investor Groups (SIGs), to achieve a much higher level of Client Fund involvement in fund development. The aim is to deliver funds that meet Client Fund asset allocation requirements, within a time frame that meets expectations.

The SIG collaborative design process enabled LCIV to successfully launch four Funds by 31st March 2021: the LCIV Inflation Plus Fund, The London Fund, LCIV Renewable Infrastructure Fund and the LCIV Private Debt Fund. Shortly after the year end, on 13th April 2021, LCIV also

launched a Paris Aligned version of its LCIV Global Alpha Growth Fund, demonstrating its commitment to develop and integrate ESG throughout its product offering.

London CIV has pledged to work together with Client Funds to secure a sustainable future. At the start of the 2020/21 financial year LCIV began to implement a 6-point ESG action plan, including the establishment of a Responsible Investment Reference Group (RIRG). Initial focus has been on climate change risk and building LCIV's capacity stewardship and engagement and LCIV is now well placed to develop a specific net zero climate ambition target, expected to be announced by the end of 2021. Over the year LCIV has published its first Stewardship Outcomes report and appointed a Voting and Engagement provider which will enhance its ability, working collaboratively with others including LAPFF, to influence the market place. LCIV has also published its first Climate and Stewardship Policies and received an "A" rating for its first UNPRI report.

Each manager operates within mandated investment management agreements and targets determined by the Council's Pension Committee. Overall investment strategy is the responsibility of the Pension Committee, which consists of eight councillors.

In 2020/21 the Pension Committee received advice from the Executive Director Corporate Services, the Borough Solicitor and other officers, as well as the fund managers and the following professional consultants:

- Hymans Robertson LLP (Actuarial & Benefit Services)
- KPMG (Investment Consultancy) – now known as Isio after a management buyout
- Karen Shackleton (Independent Investment Advisor)
- PIRC (Corporate Governance Services)

Committee meetings are held quarterly. The details of the meetings, including agendas, minutes and regular reports on the Fund's performance, can be found through the Pension Committee website: <http://democracy.camden.gov.uk/ieListMeetings.aspx?CommitteeId=652>

The market value of the assets (including cash & income receivable) held by the Fund Managers, the Custodian and the Council as at 31 March 2021 is as follows:

2019/20		Fund Manager/Custodian	2020/21	
£'000	%		£'000	%
276,223	17.8%	Baillie Gifford & Co (London CIV)	431,672	20.6%
108,665	7.0%	Barings	137,556	6.6%
225	0.0%	BlueCrest	0	0.0%
92,481	5.9%	CBRE	92,056	4.4%
41,367	2.7%	CQS (London CIV)	51,814	2.5%
43,603	2.8%	HarbourVest	42,435	2.0%
195,125	12.6%	Harris Associates	320,645	15.3%
90,268	5.8%	Insight	98,071	4.7%
501,564	32.3%	Legal & General	654,646	31.3%
94,514	6.1%	Partners Group	83,197	4.0%
58,709	3.8%	Ruffer (London CIV)	70,868	3.4%
46,366	3.0%	Standard Life	41,600	2.0%
1,092	0.1%	Stepstone (London CIV)	25,095	1.2%
150	0.0%	London CIV	150	0.0%
3,996	0.3%	JPM Custodian Cash Account	42,918	2.1%
0	0.0%	Council	0	0.0%
1,554,348	100%		2,092,734	100%

Funding Arrangements

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employers' contribution rates to the Fund necessary to ensure that present and future commitments can be met. The last completed actuarial valuation of the Fund was carried out as at 31 March 2019. Contribution rates took effect from 1 April 2020. The fund will be revalued as at the 31 March 2022 with the result available in the autumn and new contribution rates for employers taking effect from 1 April 2023. The full valuation report can be read [here](#).

The market value of the Fund's assets at the 2019 valuation date was £1.657bn. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.613bn; therefore there was a surplus of £43.2m and the Fund was 103% funded.

The employers' contribution rates were calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

CPI inflation	2.3% per annum
Pay increases	2.7% per annum
Gilt-based discount rate	1.5% per annum
Funding basis discount rate	4.5% per annum

Assets were valued at the previous Triennial Valuation in 2016 using a discount rate 1.6% above the yield available on long-dated fixed interest gilts. In the 2019 Triennial Valuation, the discount rate is derived from a 70% likelihood that the Fund's investments will return at least 4.5% over the next 20 years based on a stochastic asset projection.

At the prior actuarial valuation on 31 March 2016 the assets were valued as sufficient to meet 76% of the liabilities and as at 31 March 2019 the actuary estimates that assuming reasonable future investment returns the Fund is 103%. The average employee rate is 7% of pensionable pay (6.8% last time) and the total expected contributions over the next Triennial cycle will be greater than the 2016-2019 cycle. The Fund agreed a contribution strategy with a cap of 1% on increases (and decreases) to its Employer Contribution, following agreement with the Fund's actuary, meaning that in 2020/21 the contribution rate from the Administering Authority was 33.3% (32.3% in 2019/20).

Returns

The Fund has delivered a return of 7.8 per annum during the last ten years. The diagram below provides a comparison between the performance of Camden's Fund and that of the average of other funds participating in benchmarking exercises for each year over this period. It shows the time-weighted return on investments for each calendar year. The comparative information is provided by the Pensions & investment Research Consultants Limited (PIRC).

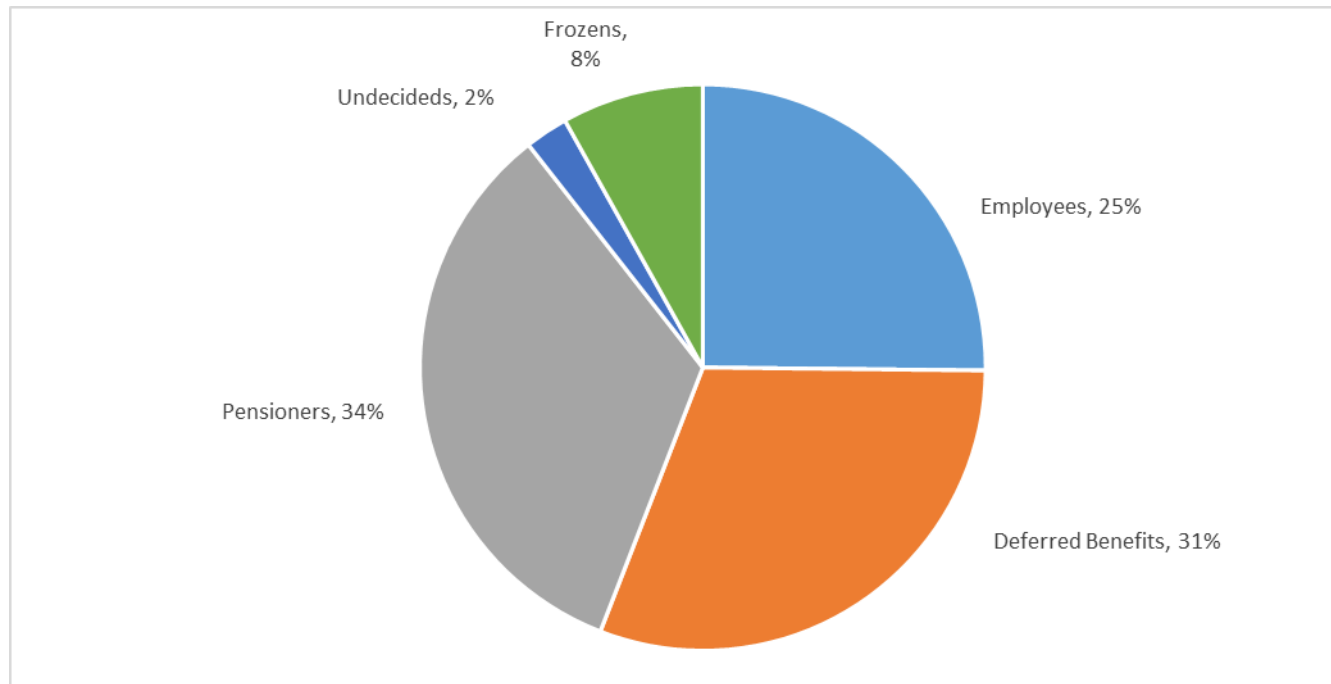
In the latest year the Fund performed in the 8th percentile (100th means the worst performing and 1st the best). This was well ahead of most of its peers. It is also ahead over the three and five years but continues to trail over the longer term.



Membership

Total membership of the Fund at 31 March 2021 was 22,642 (22,853 in 2020)

	31-Mar-21	31-Mar-20
Employees	5,699	5,839
Deferred benefits	6,959	7,195
Pensioners	7,589	7,420
Dependents	<i>Included above</i>	<i>Included above</i>
Undecideds	559	361
Frozens	1,836	1,768
TOTAL	22,642	22,583



TOTAL MEMBERSHIP: 22,642

Benefits

Pension Benefits under the LGPS are based on pensionable pay and length of service up until 31 March 2021, summarised below:

	Pension	Lump Sum
Service Pre 1 April 2008	Each year worked is worth $1/80$ x final salary.	Automatic lump sum of 3 x salary. In addition part of the annual pension can be exchanged for a one-off tax free cash payment (known as a commutation). A lump sum of £12 is paid for each £1 of pension given up.
Service Post 31 March 2008 – 31st March 2014	Each year worked is worth $1/60$ x final salary	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment (known as a commutation). A lump sum of £12 is paid for each £1 of pension given up.
Service Post 31 March 2014	Each year worked is worth $1/49$ x pensionable earnings of that year (career average). Benefits are held in a pension account and revalued each year in-line with inflation.	Members of the LGPS before April 2008 have built up benefits which will include an automatic lump sum. In the new scheme eligible members are still entitled to the aforementioned benefit but can also exchange some pension to get a tax-free cash lump sum (known as a commutation). Every £1 of pension sacrificed is equivalent to £12 of tax-free lump sum (subject to HM Revenue & Customs limits).

There are a range of other benefits provided under the scheme including early retirement, disability pension and death benefits. For more details, please refer to <https://www.lgpsmember.org/>

Pension Fund Account

In compiling the 2020/21 Statement of Accounts the London Borough of Camden use investment data from its custodian, JP Morgan.

2019/20 £'000		Notes	2020/21 £'000
	Contributions receivable:		
55,095	From employers	3	56,695
12,574	From members	3	13,619
707	Pension strain	4	690
68,376		3	71,004
	Transfers in from other pension funds:		
9,452	Transfers in (individual)		4,137
	Benefits payable:		
(52,936)	Retirement pensions		(55,445)
(10,307)	Commutation of pensions and lump sum retirement benefits		(10,013)
(1,367)	Lump sum death benefits		(1,485)
(64,610)		3	(66,943)
	Payments to and on account of leavers:		
(10,175)	Transfers out (individual)		(6,147)
(230)	Refund of contributions		(152)
(10,405)			(6,299)
	Other payments:		
(1,011)	Administration costs	7	(710)
(205)	Other expenditure	7	(240)
(1,216)	Administration fees		(950)
1,597	Net additions from dealing with members		949
	Returns on investments		
22,950	Investment income	8	10,321
(600)	Tax deducted from investment income		(249)
(13,269)	Management fees	9	(16,960)
(121,535)	Change in market value of investments	10	493,418
(110,857)	Net returns on investments		486,530
(110,857)	Net increase/(decrease) in the Fund		487,479
1,656,541	Net assets at 1 April 2019		1,545,683
1,545,683	Net assets at 31 March 2020		2,033,162

Pension Fund Net Assets Statement

Both the 2020 and 2021 investment valuations above are drawn from the custodian reporting system.

31 Mar 20 £'000		Notes	31 Mar 21 £'000
	Investments assets at market value		
	Pooled investment vehicles:		
131,635	Fixed interest securities	12,13	149,885
42,530	Index linked securities	12,13	43,632
201,668	UK equities	12,13	251,938
533,589	Overseas equities	12,13	790,750
1,092	Infrastructure	12,13	25,095
43,603	Private equity	12,13	42,435
183,970	Pooled property investments	12,13	171,035
0	Fund of hedge funds	12,13	0
213,740	Diversified growth funds	12,13	250,034
1,351,826			1,724,803
	Directly owned investment assets:		
18,887	UK equities	12,13	29,598
168,929	Overseas equities	12,13	283,081
11,808	Cash deposits	12,13	51,949
645	Derivative contracts: forward foreign exchange	16	301
2,499	Investment income receivable	12,13	2,708
1,554,594	Total investment assets		2,092,440
	Investments liabilities at market value		
397	Amounts payable for purchases	12,13	595
(645)	Derivative contracts: forward foreign exchange	16	(301)
(248)	Total investment liabilities		294
	Other net assets		
(10,708)	Cash owed to Camden	12,13	(21,573)
2,706	Pension Fund bank account	12, 13	2,357
1,000	Current assets	15	923
(1,662)	Current liabilities	15	(41,280)
1,545,683	Total net assets		2,033,162

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2021, but excludes long-term liabilities to pay pensions and benefits in future years.

Note 1 Accounting Policies

i) The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 2 of these accounts.

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Custodian and are based on bid values as at the Net Assets Statement date. Values of 3rd party assets for which the JPM Pricing team cannot source values are priced using the latest accounting reports provided by the investment manager, and if this valuation point differs to year end the Net Asset Value is adjusted for any further drawdown at cost. Prices in foreign currencies are translated at the closing rates of exchange as at 31st March 2021.

iii) Assets and liabilities in overseas currencies are translated into Sterling at the exchange rates prevailing at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

iv) The cost of administration is charged directly to the Fund partly by the Administering Authority, London Borough of Camden, and partly by the Pension Shared Service which jointly administers benefits on behalf of Camden, Wandsworth, Richmond, Waltham Forest and Merton.

v) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

vi) Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

vii) Income from other investments is accounted for on an accruals basis.

viii) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

ix) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is

used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

x) Surpluses and deficits arising on conversion are dealt with as part of the change in market values of the investments.

xi) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii) Under the rules of the scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

xiii) Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

xiv) The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises.

xv) All investment management expenses are accounted for on an accruals basis. Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

xvi) Cash comprises demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

xvii) The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary

in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a supporting note to the accounts (Note 2).

xviii) The Fund provides two additional voluntary contribution (AVC) schemes for its members. Assets are invested separately from those of the Pension Fund. The Fund has appointed Prudential and Phoenix Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are disclosed as a note only (Note 17).

Note 2 Actuarial Valuation

In addition to the triennial valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities every year, on an IAS 19 basis. For 2020/21 Hymans Robertson carried out this analysis, and their reported findings can be found in the link below.

<https://www.camden.gov.uk/statement-of-accounts>

Note 3 Analysis of Contributions and Benefits

2019/20 £'000		2020/21 £'000
	Contributions receivable	
60,446	Administering authority	65,892
677	Scheduled bodies	586
7,253	Admitted bodies	4,526
68,376		71,004
	Benefits payable	
(55,923)	Administering authority	(57,036)
(236)	Scheduled bodies	(231)
(8,451)	Admitted bodies	(9,676)
(64,610)	Total	(66,943)

Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, judgements have been made, the most noteworthy being in relation to the pension fund liability. This is calculated every three years by the actuary. The assumptions behind the valuation of these retirement benefits (see Note 2) are in accordance with IAS19 and are subject to significant variances based on changes to the underlying assumptions.

Note 5 Assumptions Made About the Future and Other Major Sources of Uncertainty

Many assumptions underpin the Statement of Accounts. The actuarial present value of promised retirement benefits have many assumptions behind them such as life expectancy, demographics, inflation, discount rate and salary increases, all of which are subject to uncertainty. The main assumptions are detailed on page 171 under "Funding Arrangements".

Note 6 Related Party Transactions

The Camden Pension Fund is administered by Camden Council, and consequently there is a strong relationship between the Council and the Pension Fund.

In 2020/21 £118k was paid to the Council for accountancy services (£177k in 2019/20), and £318k was paid to the Pension Shared Service located at Wandsworth Council for pensions administration (£386k in 2019/20).

As at 31 March 2021, a cash balance of £21.6m relating to the Pension Fund was owed to the Council by the Pension Fund (£10.7m was owed to the Council by the Pension Fund at 31 March 2020). The Pension Fund bank account had a balance of £2.4m.

Key Management Personnel

The Head of Treasury and Financial Services held a key position in the management of the pension fund as at 31 March 2021.

There were no other transactions with related parties other than those which are disclosed elsewhere within the accounts.

Note 7 Administrative Costs and Other Expenditure

Regulations permit the Council to charge administration costs to the scheme. A proportion of relevant Council officers' salaries, including on-costs, have been charged to the Fund on the basis of estimated time spent on scheme administration and investment related business.

Administration Costs

2019/20 £'000		2020/21 £'000
386	Pensions administration charge	318
329	Systems Management	273
177	Officers' salaries	118
118	London Collective Investment Vehicle*	0
-11	Other	0
11	Legal Services	0
1,011	Total	710

Other Costs

2019/20 £'000		2020/21 £'000
107	Actuarial advice	69
35	Investment consultancy	110
16	Audit	19
42	Corporate governance	35
0	Other	3
5	Performance measurement	5
205	Total	241

*The London CIV charges have been reported under Note 9 Investment Management Expenses in 2020/21.

Note 8 Pension Fund Investment Income

A detailed breakdown of funding investment income from all managers is shown below:

2019/20		2020/21
£'000		£'000
666	Dividends from UK equities	129
5,795	Dividends from overseas equities	3,609
12,198	Income from pooled property investments	2,277
3,960	Income from other pooled investment vehicles	4,304
329	Income from cash deposits	3
22,950	Total income before taxes	10,321

Note 9 Investment Management Expenses

The fees levied by the Fund Managers and the Fund Custodian were as follows:

2019/20 £'000		2020/21 £'000
1,745	London CIV*	4,839
644	Barings*	905
0	Brevan Howard*	0
722	CB Richard Ellis*	1,698
3,844	HarbourVest*	5,599
1,217	Harris*	1,667
524	Insight*	674
40	JP Morgan (Custodian)	46
64	Legal & General*	147
3,922	Partners Group*	733
548	Standard Life*	652
13,269	Total	16,960

*includes management fees totalling £14.9m deducted from fund assets at source but have been "grossed-up" in the accounts to aid transparency.

Investment management expenses are further analysed over the following expenditure categories:

2019/20 £'000		2020/21 £'000
8,693	Management fees	8,402
3,996	Performance related fees	3,311
40	Custody / Investment Admin Fees	1,621
541	Transaction costs	2,785
0	Property Expenses	463
0	Other	378
13,269	Total income before taxes	16,960

PENSION FUND ANNUAL REPORT 2020/21
APPENDIX 1: FUND ACCOUNTS & NET ASSETS STATEMENT

Note 10 Change in Market Value of Investments

	Realised Gain/(Loss) £'000	Unrealised Gain/(Loss) £'000	Movement 2020/21 £'000
<u>Pooled investment vehicles:</u>			
- Fixed interest securities	0	16,501	16,501
- Index linked securities	0	1,102	1,102
- UK equities	19,588	33,682	53,270
- Overseas equities	0	254,732	254,732
- Private equity	(37)	797	760
- Pooled property investments	934	(13,141)	(12,207)
- Fund of hedge funds	(225)	0	(225)
- Diversified growth funds	1,435	42,780	44,215
- Infrastructure	0	(1,295)	(1,295)
	21,695	335,158	356,853
<u>Directly owned investment assets:</u>			
- UK equities	1,169	14,964	16,134
- Overseas equities	17,065	89,523	106,589
Total	39,929	439,646	479,575
Cash deposits	(1,055)	45	(1,011)
Currency	(0)	0	(0)
Derivative contracts: forward foreign exchange	(60)	(1)	(61)
Amounts payable for purchases	37	(1)	35
Total	38,850	439,689	478,539
Gross-up of Investment Manager Fees netted off fund value			14,879
2020/21 Movement on Investments			493,418

Note 11 – Purchases and Sales

PENSION FUND ANNUAL REPORT 2020/21
APPENDIX 1: FUND ACCOUNTS & NET ASSETS STATEMENT

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2021:

2019/20 £'000		2020/21 £'000
	Purchases	
	<u>Pooled Investment Vehicles:</u>	
0	- Fixed Interest securities	1,749
0	- UK equities	114,000
114,138	- Global equities	2,429
0	- Private equity	0
7,564	- Property	5,540
128	- Diversified Growth Fund	9,188
302	- Fund of Hedge Funds	0
0	- Infrastructure	25,298
122,132		158,204
	<u>Directly Owned Assets:</u>	
6,749	- UK equities	8,017
76,133	- Overseas equities	95,486
473	- Derivative contracts: forward foreign exchange	564
205,487	Total Purchases	262,271
	Sales	
	<u>Pooled Investment Vehicles:</u>	
(30,000)	- Fixed interest securities	0
(6,000)	- UK equities	(117,000)
(60,635)	- Global equities	0
8,514	- Property	(6,268)
(5,192)	- Private equity	(1,929)
(302)	- Fund of Hedge Funds	225
(1,700)	- Diversified Growth Fund	(17,109)
(95,314)		(142,081)
	<u>Directly Owned Assets:</u>	
(6,373)	- UK equities	(13,440)
(73,690)	- Overseas equities	(87,921)
(23)	- Currency	(1)
(423)	Derivative contracts: forward foreign exchange	(503)
(175,824)	Total Sales	(243,947)

Note 12 Analysis of Investments at Market Value

31-Mar-20 £'000		31-Mar-21 £'000
	Equities (UK)	
18,737	Quoted	29,448
150	Unquoted	150
	Equities (Overseas)	
168,928	Quoted	283,082
0	Unquoted	0
187,816		312,679
	Pooled Investment Vehicles (UK)	
131,635	Fixed income	149,885
42,530	Public sector index linked	43,632
201,668	Equities	251,938
225	Fund of Hedge Funds	0
105,075	Diversified Growth Funds	112,468
89,457	Property	87,838
1,092	Infrastructure	25,095
571,682		670,855
	Overseas	
533,589	Equities	790,750
108,665	Diversified Growth Funds	137,566
94,514	Property	83,197
43,603	Private equity	42,435
780,370		1,053,948
	Other Assets	
645	Forward currency contracts	301
11,808	Cash deposits	51,949
2,499	Investment income due	2,708
548	Amounts receivable from sales	887
15,501		55,845
1,555,368	Total investment assets	2,093,327
	Other Liabilities	
(645)	Forward currency contracts	(301)
(376)	Amounts payable for purchases	(291)
(1,021)	Total liabilities	(591)

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APPENDIX 1: FUND ACCOUNTS & NET ASSETS STATEMENT

1,554,348	Net investment assets	2,092,734
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Note 13 Valuations by Fund Managers

2019/20 £'000		2020/21 £'000	2019/20 £'000		2020/21 £'000
Baring Asset Management Ltd			Legal & General Assurance Ltd		
108,665	- Pooled investment vehicle - Diversified Growth Fund	137,566	42,530	- Pooled investment vehicle (Index linked securities)	43,632
108,665		137,566	201,668	- Pooled investment vehicle (UK equities)	251,938
BlueCrest			257,366	- Pooled investment vehicle (Global equities)	359,078
225	- Pooled investment vehicle - Fund of Hedge Funds	0	501,564		654,647
225		0	London CIV Ltd (Baillie Gifford)		
CB Richard Ellis Collective Investors Ltd			276,223	- Pooled investment vehicle (Global equities)	431,672
75,942	- Property - Managed Funds	78,115	276,223		431,672
HarbourVest			London CIV Ltd (Ruffer)		
43,603	- Pooled investment vehicle - Private equity	42,435	- Pooled investment vehicle - Diversified Growth Fund		
43,603		42,435	58,709		70,868
Harris Associates L.P.			58,709		70,868
18,737	- UK equities	29,448	London CIV Ltd (CQS)		
2,967	- Cash	3,623	- Pooled investment vehicle (fixed interest securities)		
57	- Income Receivable	88	41,367		51,814
92,481		92,056	41,367		51,814
Partners Group (UK) Ltd			London CIV Ltd (Stepstone)		
43,603	- Pooled investment vehicle - Private equity	42,435	1,092	- Pooled investment vehicle (Infrastructure)	25,095
43,603		42,435	1,092		25,095
Standard Life			Partners Group (UK) Ltd		
645	- Derivative contracts: forward foreign exchange assets	301	94,514	- Pooled investment vehicle - Global property	83,197
1,344	- Income Receivable	1,605	94,514		83,197
5,943	- Cash	6,424	Standard Life		
548	- Amounts receivable from sales	379	- Pooled investment vehicle - Diversified Growth Fund		
	- Derivative contracts: forward foreign exchange liabilities	(301)	46,366		41,600
	- Amounts payable for purchases	(291)	46,366		41,600
195,125		320,645	JPM Custodian Cash Account		
Insight Investment			2,898	- Cash	41,903
90,268	- Pooled investment vehicle (Fixed interest securities)	98,071	1,098	- Income Receivable	1,015
			3,996		42,918
			Council		
			150	- UK equities	150
			150		150

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90,268	98,071		
		1,554,348	TOTAL MARKET VALUE
			2,092,734

The UK equities owned directly by the Fund are holdings in the London LGPS Collective Investment Vehicle Ltd which represents 32 Local authority pension Funds in London. They are measured at par value, as seed capital in a private company as of 21 October 2015.

Note 14a Valuation by Reliability of Information

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund, as held at the Custodian, grouped into Levels 1 to 3 based on the level at which the fair value is observable.

Financial assets classed at Level 3 include the Fund's regulatory capital seed investment in the London Collective Investment vehicle.

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Values at 31 March 2021	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Assets:				
Cash & Currencies	10,046			10,046
Cash Equivalents		41,903		41,903
Equities	312,529		150	312,679
Forward Currency Contracts				
Pooled Funds		1,724,803		1,724,803
Receivables	3,895			3,895
Total Financial Assets	326,470	1,766,706	150	2,093,326
Liabilities:				
Forward Currency Contracts				
Payables	(592)			(592)
Total Financial Liabilities	(592)	0	0	(592)
Grand Total	325,878	1,766,706	150	2,092,734

Values at 31 March 2020	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Assets:				
Cash & Currencies	10,983			10,983
Cash Equivalents		825		825
Equities	187,666		150	187,816
Forward Currency Contracts	0	0	0	0
Pooled Funds	0	1,351,738	89,000	1,351,827
Receivables	3,917			3,917
Total Financial Assets	202,566	1,352,652	89,150	1,555,369
Liabilities:				
Forward Currency Contracts	0	0	0	0
Payables	(1,021)			(1,021)

Total Financial Liabilities	(1,021)	0	0	(1,021)
Grand Total	201,546	1,352,652	89,150	1,554,348

Note 14b Transfers between the Levels

It was agreed during the audit of the 2019/20 accounts that, as a result of the Covid pandemic, the Fund's property investments held with manager CBRE should be recategorized from Level 2 to Level 3 due to the lack of observable market data at the 31 March 2020. These totalled £89.457m. For the 2020/21 accounts, as at 31 March 2021 these investments have reverted to Level 2.

Note 14c Classification of Financial Instruments

	2019/20			2020/21		
	Fair value through profit & loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000	Fair value through profit & loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial Assets						
Equities	923,072			1,355,367		
Fixed income	174,165			193,516		
Fund of Hedge Funds	225			0		
Diversified Growth Funds	213,740			250,034		
Property	183,970			171,035		
Private equity	43,603			42,435		
Infrastructure	1,092			25,095		
Forward currency contracts	645			301		
Cash deposits		11,808			51,949	
Investment income due		2,499			2,708	
Amounts receivable from sales		548			887	
	1,540,513	14,855	0	2,037,783	55,544	0
Financial Liabilities						
Forward currency contracts	(645)			(301)		
Amounts payable for purchases			(376)			(291)
Total	1,539,868	14,855	(376)	2,037,482	55,544	(291)

Note 15 Analysis on Net Current Assets and Liabilities

2019/20		2020/21
£'000		£'000
	Assets	
10	Pension Capital Costs receivable	0
908	Admitted Authorities payments receivable	588
244	Investment income receivable	0
0	Sundry Debtors	355
1,000		923
	Liabilities	
(1,481)	Sundry Creditors	(2,048)
(181)	Unpaid Benefits	(0)
0	Prepayment of Contribution	(39,231)
(10,708)	Cash owed to council	(21,573)
(12,370)		(62,853)

Note 16 Derivative Contracts: Forward Foreign Exchange

Outstanding forward currency contracts are as follows:

Settlement	Currency bought	Local Value £'000	Currency sold	Local Value £'000	Asset Value £'000	Liability Value £'000
Up to one month	EUR	126	USD	(147)	107	(107)
Up to one month	USD	160	GBP	(117)	116	(117)
Up to one month	USD	107	GBP	(78)	78	(78)
Open forward currency contracts at 31 March 2021					301	(301)
Net forward currency contracts at 31 March 2021						(0.4)
2019/20 Comparator						
Open forward currency contracts at 31 March 2020					645	(645)
Net forward currency contracts at 31 March 2020						0.2

Note 17 Additional Voluntary Contributions

Additional voluntary contributions are not included in the Pension Fund Accounts in accordance with regulation 4(2)(b) of the Pension Scheme (Management and Investment of Funds) Regulations 1999. The providers of Additional Voluntary Contributions are Phoenix Life Ltd and Prudential Assurance Company Ltd (from 1 April 2009). Phoenix operates two funds, the deposit fund and the managed fund and employees can contribute to either fund. Prudential offer nineteen funds, with the risk appetite ranging from minimal to higher risk. The employee has the option to choose a combination of these funds. Also the employee has the choice to invest in the default fund (with profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement. The value and transaction summary of the AVC funds are below. It should be noted that the Phoenix Life accounts are produced on a calendar year basis so end December 2020.

	Prudential £'000		Prudential £'000
Value at 1 April 2020	*	Value at 1 April 2019	1,872
Contributions & Transfers Received	*	Contributions & Transfers Received	345
Investment Return	*	Investment Return	(54)
Paid Out	*	Paid Out	(218)
Value at 31 March 2021	*	Value at 31 March 2020	1,945

	Phoenix Life Ltd £'000		Phoenix Life Ltd £'000
Value at 31 December 2020	868	Value at 31 December 2019	803
Contributions & Transfers Received	14	Contributions & Transfers Received	15
Investment Return	(1)	Investment Return	65
Paid Out	(57)	Paid Out	(15)
Value at 31 December 2021	824	Value at 31 December 2020	868

* Prudential have been unable to provide detail of contributions and benefits paid for 2020/21 due to system failure affecting all clients, for which they have informed the Pensions Regulator.

Note 18 Reconciliation of Investments by Asset Class

2020/21

	31-Mar-20	Purchases	Sales	Realised Gain	Unrealised Gain	Change in Market Value	31-Mar-21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Fixed interest securities	131,635	1,749	0	0	16,501	16,501	149,885
- Index Linked securities	42,530	0	0	0	1,102	1,102	43,632
- UK equities	201,668	114,000	(117,000)	19,588	33,682	53,270	251,938
- Global equities	533,589	2,429	0	0	254,732	254,732	790,750
- Private equity	43,603	0	(1,929)	(37)	797	760	42,435
- Property	183,970	5,540	(6,268)	934	(13,141)	(12,207)	171,035
- Fund of Hedge Funds	0	0	225	(225)	0	(225)	0
- Diversified Growth Fund	213,740	9,188	(17,109)	1,435	42,780	44,215	250,034
- Infrastructure	1,092	25,298	0	0	(1,295)	(1,295)	25,095
	1,351,827	158,204	(142,081)	21,695	335,158	356,853	1,724,803
Directly Owned Assets:							
UK Equities	18,887	8,017	(13,440)	1,169	14,964	16,134	29,598
Overseas Equities	168,928	95,486	(87,921)	17,065	89,523	106,589	283,082
	187,816	103,503	(101,361)	18,235	104,488	122,723	312,679
Total Investments	1,539,643	261,707	243,443	39,929	439,646	479,575	2,037,482
Cash	14,514	0	0	(1,055)	45	(1,011)	54,307
Derivatives	0	564	(504)	(60)	(1)	(61)	(0)
Net Debtors/Creditors	(8,474)	0	0	37	(1)	35	(58,627)
Fund Total	1,545,683	262,271	(243,947)	38,850	439,689	478,539	2,033,162

Note 18 Reconciliation of Investments by Asset Class (cont'd)

2019/20

	31-Mar-19	Purchases	Sales	Realised Gain	Unrealised Gain	Change in Market Value	31-Mar-20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles:							
- Fixed interest securities	125,054	0	(30,000)	(1,300)	(3,486)	(4,786)	90,268
- Index Linked securities*	39,284	0	0	0	3,246	3,246	42,530
- UK equities*	255,634	0	(6,000)	1,154	(49,120)	(47,966)	201,668
- Global equities	597,059	114,139	(60,635)	236	(30,069)	(29,832)	620,731
- Private equity	37,484	0	(5,192)	322	10,988	11,310	43,603
- Property	172,570	7,564	8,514	458	(5,137)	(4,679)	183,970
- Fund of Hedge Funds	0	302	(302)	0	0	0	0
- Diversified Growth Fund	186,686	128	(1,700)	108	(16,164)	(16,056)	169,057
	1,413,771	122,133	(95,314)	978	(89,741)	(88,763)	1,351,827
Directly Owned Assets:							
UK Equities	27,367	6,749	(6,373)	585	(9,441)	(8,856)	18,887
Overseas Equities	201,870	76,133	(73,690)	5,387	(40,771)	(35,384)	168,928
	229,237	82,882	(80,063)	5,972	(50,212)	(44,240)	187,816
Total Investments	1,643,008	205,014	(175,377)	6,950	(139,953)	(133,003)	1,539,643
Cash and Net Debtors	13,533	473	(446)	289	(54)	234	6,040
Fund Total	1,656,541	205,488	(175,824)	7,239	(140,007)	(132,769)	1,545,683

*The 2019/20 unrealised gain on index-linked securities was incorrectly stated against UK equities in the 2019-20 accounts, leading to an incorrect brought-forward figure. This has been corrected in the table above. The split of Pooled Investment Vehicles by asset class in the 2019-20 accounts held all LCIV assets under Global Equities. This has been corrected for 2020-21, but left unchanged for 2019-20.

Note 19 Nature & Extent of risks arising from Financial Instruments

Market risk

Market risk is the risk of a loss to the Fund due to fluctuations in the prices of the financial instruments it holds. The level of risk is managed through an acknowledgement of the risks associated with the different asset classes it holds, and by diversification between asset classes to control the level of risk whilst optimising return.

The table below shows the change in the net assets available to pay benefits if the market price increases or decreases by 10%. The analysis excludes cash and working capital, which are not subject to market risk.

	Value	Value on 10% price increase	Value on 10% price decrease
	£'000	£'000	£'000
As at 31 March 2020	1,539,642	1,693,606	1,385,678
As at 31 March 2021	2,037,482	2,241,230	1,833,733

Note 19 Nature & Extent of risks arising from Financial Instruments

Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling.

To calculate currency risk the currency exchange rate volatility (% change relative to Sterling) of individual currencies is used, as provided by ratesfx.com. For pooled assets the effects of a 10% increase or decrease in the value of sterling is used as a proxy.

The following table summarises the Fund's currency exposure based on its holdings of overseas domiciled equities and property as at 31 March 2021.

Currency	Value (£'000)	% Change	Value on Increase	Value on Decrease
Euro	88,444	5.5%	93,318	83,571
Japanese Yen	5,378	6.8%	5,746	5,011
South African Rand	9,149	12.0%	10,245	8,053
South Korean Won	5,445	6.1%	5,774	5,115
Swiss Franc	38,049	6.3%	40,442	35,656
US Dollar	148,870	6.5%	158,591	139,149
Canadian Dollar	4	4.86%	4	3
Hong Kong Dollar	2,720	5.6%	2,872	2,568
Global Basket	938,527	10.0%	1,032,379	844,674
Total Overseas Equity	1,236,585		1,349,370	1,123,800
Overseas private equity (US\$)	42,435	6.5%	45,206	39,664
Overseas Property (€)	15,326	5.5%	16,171	14,482
Overseas Property (US\$)	67,871	6.5%	72,303	63,439
Total Currency	1,362,217		1,483,049	1,241,384

The % change for Total Currency includes the impact of correlation across the underlying currencies

Note 19 Nature & Extent of risks arising from Financial Instruments

Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, however the selection of high quality counterparties and financial institutions, and legal due diligence carried out on all managers, and the custodian, minimises the credit risk that may occur through the failure to settle a transaction.

The Fund's on-call sterling and dollar deposits at JP Morgan are swept into the JPMorgan Money Market Funds. These vehicles have a AAA rating from Fitch and S&P.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments through daily monitoring of cash flow in the Pension Fund bank account, annual reviews of the maturity of the Fund (projections of cash inflows and outflows), and monthly monitoring of the cash flows generated from dealing with members and transactions at the Council rather than within the Pension Fund bank account or at the custodian.

Note 19 Nature & Extent of risks arising from Financial Instruments

Single Investment Risk

The following single investments represent more than 5% of the net assets of the Fund, although each of the investments below is a pooled investment vehicle with a large number of underlying assets. None of the underlying assets represent more than 5% of the Fund.

Investment	Value at 31 March 2021 £'000	% of Total Fund	Value at 31 March 2020 £'000	%of Total Fund
Baillie Gifford Global Alpha Fund	431,672	20.6%	276,223	17.8%
Legal & General Global Equity Index Fund	359,078	17.2%	257,366	16.6%
Legal & General UK Equity Index Fund	251,938	12.0%	201,668	13.0%
Barings Dynamic Asset Allocation	137,566	6.6%	108,665	7.0%
Partners Group UK	83,197	4.0%	94,514	6.1%
CB Richard Ellis Collective Investors Ltd	92,056	4.4%	92,481	6.0%
Insight Investment Bonds Plus 400	98,071	4.7%	90,268	5.8%

Note 19 Nature & Extent of risks arising from Financial Instruments

Interest Rate Risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The following analysis shows the Fund's exposure to interest rate risk by positing the effect in the year on the net assets available to pay benefits of a 1% change in interest rates.

31 March 2021

Assets exposed to interest rate risk	Value as at 31 March 2021	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits	51,949	0	51,949	51,949
Fixed income	149,885	627	149,258	150,512
Index linked securities	43,632	10,501	33,131	54,133
Total	245,466	11,128	234,338	256,594

31 March 2020

Assets exposed to interest rate risk	Value as at 31 March 2020	Potential movement on 1% change in interest rates	Value on increase	Value on decrease
	£'000	£'000	£'000	£'000
Cash deposits	11,808	0	11,808	11,808
Fixed income	131,635	4,685	126,949	136,320
Index linked securities	42,530	10,226	32,304	52,756
Total	185,973	14,911	171,062	200,884

Note 20 Contingent Liabilities and Contractual Capital

Property

The Fund has undrawn contractual capital in relation to three unquoted limited partnership funds in global property; one Euro denominated Luxembourg 'SICAR' and two US Dollar denominated Guernsey Limited Partnerships. These are drawn down in tranches over time as and when the manager needs the cash to invest in underlying investments. The Euro fund had £2.157m of undrawn contractual capital outstanding as at 31 March 2021 (£2.249m as at 31 March 2020), the US Dollar funds had a total of £48.335m of undrawn contractual capital outstanding as at 31 March 2021 (£56.201m as at March 2020). These are not required to be included in the Pension Fund accounts.

Private equity

The Fund has a further commitment in relation to its private equity mandate via the HarbourVest 2016 Global AIF Limited Partnership. This commitment is drawn down in tranches over time as and when the manager requests cash to fund underlying investments. The fund is denominated in US Dollars and had £18.139m of commitments outstanding as at 31 March 2021 (£25.816m as at 31 March 2020). This is not required to be included in the Pension Fund accounts.

Infrastructure

The Fund made a £106m commitment to the London Collective Investment Vehicle's Infrastructure Fund on 31 October 2019. At 31 March 2021, this had £79.6m of commitments outstanding.

McCloud Case

The 2019 Triennial Valuation of the benefits payable did not include an allowance for the McCloud case (an age-discrimination court case, with cost implications for LGPS funds that stemmed from when the government reformed public sector pensions in 2015). However, the IAS19 valuation included in the London Borough of Camden's accounts, do include an allowance, but as the outcome for the remedy of the McCloud case is yet to be determined, this allowance is subject to uncertainty.


Note 21 Events after the reporting period

The Improvement and Development Agency, the second largest employer in the Pension Fund after the Council, substituted funds to the Merseyside Pension Fund on the 1st of April 2021. As at the last valuation in March 2019, their assets were valued at £158m and so the transfer out will be in the region of this amount, plus asset growth since then.

APPENDIX 2: GOVERNANCE COMPLIANCE STATEMENT

GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure

	Not Compliant *				Fully Compliant
(a)					The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
(b)					Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
(c)					Where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

	Not Compliant *				Fully Compliant
(d)					Where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel



The Council does not comply with Principle A – Structure (b) in so far as there are no representatives of the participating admitted bodies on the Pension Committee. However, admitted bodies are advised of meeting agendas and reports, and encouraged to attend each committee meeting.

The majority of our admitted bodies have very small scheme membership and their individual circumstances vary very significantly with the result that it is difficult to identify a representative body from amongst them. Neither would the level of employer contributions for these bodies be significantly affected by the investment activity of the Fund as a whole.

There is representation for both active and retired members through the attendance of Trade Unions who have non-voting observer status. However there is no representation for deferred members.

B – Representation

	Not Compliant *				Fully Compliant
(a)	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:				
(i)					employing authorities (including non-scheme employers, e.g. admitted bodies)

(ii)					scheme members (including pensioner scheme members)
(iii)				where appropriate independent professional observers,	
(iv)				expert advisors (on an ad-hoc basis)	

	Not Compliant *				Fully Compliant
(b)				Where lay members sit on a main or secondary committee. They are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	

The Council does not comply with Principle B – Representation (a)(iii)

The Council partially complies with Principle B – Representation (b) on this aspect in so far as lay-members have equal access to all non-confidential papers and meetings. The observer status granted enables them to contribute to the decision making process. Equally such lay-members have access to training items included within Committee agendas although they are not automatically entitled to attend external training events where payment is required.

C – Selection and role of lay members

	Not Compliant *				Fully Compliant
(a)					Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee
(b)					That at the start of any meeting, committee members are invited to declare any financial or interest related to specific matters on the agenda

Information is given via the Council's Constitution, Committee Terms of Reference, and advice from suitably qualified officers.

D – Voting

	Not Compliant *				Fully Compliant
(a)					Policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

All elected members sitting on LGPS Committees have voting rights as a matter of course. It is a policy of the Pension Committee that voting rights are not to be conferred on others attending the Pension Committee meetings as they are not members of the administering authority which has the responsibility in law to administer the Scheme.

E – Training/Facility time/Expenses

	Not Compliant *			Fully Compliant
(a)				In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process
(b)			Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum	
(c)				The administering authority considers the adoption of annual training plans for committee members and maintains a log of such training.

The Council partially complies with Principle E – Training/Facility time/Expenses (a)
 The relevant rules regarding training, facility time and reimbursement of expenses are those applied generally to Members as part of the Council's Constitution. The policy of the Pension Committee is that when members attend Pension Fund Seminars, meetings and functions etc. the expenses are to be fully paid by the Pension Fund.

The Council partially complies with Principle E (b)
 No relevant policy exists and so the principle is not applicable

The Council partially complies with principle E(c) as members are encouraged to utilise training opportunities that are shown in the Business Plan for each meeting and a log is kept of all training undertaken. Training sessions are usually run in May and November.

F – Meetings (frequency/quorum)

	Not Compliant *				Fully Compliant
(a)					An administering authority's main committee or committees meet at least quarterly
(b)					An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits
(c)					That an administering authority who does not include lay members in their formal governance arrangements provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
The Council complies with Principle F – Meetings (c) - As Admitted Bodies are consulted on matters relating to valuation and contributions via an employer forum mechanism.					

G – Access

	Not Compliant *				Fully Compliant
(a)					Subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee

Union Observers (who are not full members of the main committee) now have access to confidential papers considered by the main committee and have signed confidentiality agreements not to disclose sensitive information they are privy to. The Council operates on a clear principle of keeping such confidential items to a minimum. The Council has no secondary committees or panels.

H – Scope

	Not Compliant *				Fully Compliant
(a)					Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

The Committee's Terms of Reference include consideration of matters other than those related to investment and these include for example discussions relating to issues concerned with future changes to the LGPS Scheme.

I – Publicity

	Not Compliant *				Fully Compliant
(a)					Administering authorities have published details of their governance arrangement in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

The Council has published summary details of the governance arrangements via a general governance statement. The Council's website contains further details of the democratic arrangements applying to the Pension Committee and a summary of the Pension Fund's voting policy is also included amongst those webpages.

London Borough of Camden Pension Fund

Funding Strategy Statement

July 2021

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Funding Strategy Statement

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the London Borough of Camden Pension Fund (“the Fund”), which is administered by the London Borough of Camden, (“the Administering Authority”).

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers and investment adviser. It is effective from August 2021. It has been updated from the March 2020 version to accommodate regulatory changes in 2020 relating to exit credits and employer flexibilities – see 3.3 notes (f) and (j) in particular.

1.2 What is the London Borough of Camden Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the London Borough of Camden Pension Fund, in effect the LGPS for the Camden area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund’s assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

1.3 Why does the Fund need a Funding Strategy Statement?

Employees’ benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees’ contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers’ contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see [Section 4](#)).

1.4 How does the Fund and this FSS affect me?

This depends who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent

funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In [Section 2](#) there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact Nigel Mascarenhas, Head of Treasury & Financial Services in the first instance at e-mail address Nigel.Mascarenhas@camden.gov.uk or on telephone number 0207 974 1904.

2 Basic Funding issues

(More detailed and extensive descriptions are given in [Appendix D](#)).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers' Pension Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers.

2.4 **How does the calculated contribution rate vary for different employers?**

All three steps above are considered when setting contributions (more details are given in [Section 3](#) and [Appendix D](#)).

- 1 The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
- 2 The **time horizon** required is the period over which the funding target is achieved. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
- 3 The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding

profile. Where an employer is considered to be weaker than the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see [Appendix D](#), section [D5](#), for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see [3.1](#)). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This database will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation ([see 3.3 Note \(b\)](#)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see [Appendix A](#).

2.7 What approach has the Fund taken to dealing with uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure?

- The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of carrying out the 31 March 2019 formal actuarial valuation, the Ministry of Housing, Communities and Local Government (MHCLG) had not provided any details of changes as a result of the case. However, it was expected that benefits changes will be required and they would likely increase the value of liabilities. At that time, the scale and nature of any increase in liabilities were unknown, which limited the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, considered how to allow for this risk in the setting of employer contribution rates. As the benefit structure changes that would arise from the McCloud judgement were uncertain, the Fund elected to allow for the potential impact in the assessment of employer contribution rates at the 2019 valuation by increasing the required likelihood of reaching the funding target.

The Fund will include the impact of the McCloud case when reviewing the contribution rates at the 31 March 2022 formal actuarial valuation.

The Fund also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 What approach has the Fund taken to dealing with uncertainty arising from the Goodwin court case and its potential impact on the LGPS benefit structure?

The Goodwin tribunal was raised in the Teachers' scheme. It claimed members, or their survivors, were discriminated against due to their sexual orientation. The claim was because the Teachers' scheme provides a survivor's pension which is less favourable for a widower or surviving male partner, than for a widow or surviving female partner of a female scheme member. On 30 June 2020, the Tribunal found in favour of the claimant and agreed there was discrimination. This finding and remedy is expected to apply across all public service pension schemes, including the LGPS, however this is not certain and the details are not yet known.

The impact, if any, of the Goodwin case on Fund liabilities is expected to be small and will largely be an administrative issue. In the absence of a resolution or any guidance to this case, no allowance has been made for this within the 2019 formal valuation.

2.9 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a [consultation](#) seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

The Fund intends to carry out its next actuarial valuation in 2022 (3 years after the 2019 valuation date) in line with MHCLG's desired approach in the consultation. The Fund has therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

- 1 What is a suitably (but not overly) prudent funding target?
- 2 How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
- 3 What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and

- it may take longer to reach their funding target, all other things being equal.

Overleaf ([3.3](#)) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies		Community Admission Bodies and Designating Employers		Transferee Admission Bodies
Sub-type	Local Authority	Academies (including Free Schools)	Open to new entrants	Closed to new entrants	(all)
Funding Target Basis used	Ongoing, participation basis assumes long-term Fund participation (see Appendix E)		Ongoing participation basis, but may move to “gilts basis” - see Note (a)		Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)				
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No
Maximum time horizon – Note (c)	20 years	17 years	15 years	Expected future working lifetime of active members	Outstanding contract term
Secondary rate – Note (d)	Monetary amount	% of payroll	% of payroll	Monetary amount	% of payroll
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Admin. Authority			Reduce contributions by spreading the surplus over the remaining contract term
Likelihood of achieving target – Note (e)	The fund has carried out an employer risk profiling exercise and an appropriate level of probability for achieving target has been attributed to each employer according to that profile. The probability levels applied are 55, 70%, 75%, or 80%.				
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	3 years	3 years	None

Review of rates – Note (f)	Contribution rates and amounts, and the level of security provided, may be reviewed between valuations in line with Regulations			
New employer	n/a	Note (g)	Note (h)	Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation calculation principles applied would be as per Note (j) .		Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j) .	Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit ongoing basis, unless admission terminated early in which case gilts cessation basis is used.

* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in `.

APPENDIX 3 – FUNDING STRATEGY STATEMENT

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from or a surplus payment being made to the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (currently this only applies to the London Borough of Camden as the principal employer) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

APPENDIX 3 – FUNDING STRATEGY STATEMENT

On the basis of extensive modelling carried out for the 2019 valuation exercise (see [Section 4](#)), the stabilised Council contributions will increase by 1% of payroll for each of the three years from 1 April 2020 ending 31 March 2023

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer covering the period until the next formal valuation will often be set as a percentage of salaries. However, the Administering Authority reserves the right to amend these rates between formal valuations and/or to require these payments in monetary terms instead, for instance where:

- the employer is relatively mature, i.e. has a large Secondary contribution rate (e.g. above 15% of payroll), or
- there has been a significant reduction in payroll due to outsourcing or redundancy exercises, or
- the employer has closed the Fund to new entrants.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in [Appendix D](#).

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

- Under the Regulations the Fund may amend contribution rates (and, where relevant, security amounts) between valuations where there has been “significant change” to the liabilities or covenant of an employer. The Fund would consider the following circumstances as a potential trigger for review:
 - in the opinion of an Administering Authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner than anticipated at the last valuation;
 - an employer is approaching exit from the scheme within the next three years;
 - an employer agrees to pay increased contributions to meet the cost of an award of additional pension, under **Regulation 31(3)**;
 - there are changes to the benefit structure set out in the LGPS Regulations including the outcomes of the McCloud case and cost sharing mechanisms which have not been allowed for at the last valuation;
 - it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
 - it appears likely to the Administering Authority that there has been a significant change in the ability of an employer or employers to meet their obligations (i.e. a material change in employer covenant);
 - it appears to the Administering Authority that the membership of the employer has changed materially due to events such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
 - where an employer has failed to pay contributions or has not arranged appropriate security as required by the Administering Authority.

The Administering Authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the reasoning for the review (which would be expected to fall into one of the above categories, such as a belief that their covenant has changed materially or they are going through a significant restructuring impacting their membership) and backing evidence such as financial forecasts and budgets. The Administering Authority will endeavour to complete any review within three months of request subject to receipt of satisfactory evidence, and will monitor any change in an employer’s circumstances on a regular basis following any change in contribution rate: it may require further information from the employer to support this monitoring process.

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Except in circumstances such as an employer nearing cessation, the Administering Authority will not consider market volatility or changes to asset values as a sole basis for a review of contributions outside a formal valuation.

It should be noted that any review may require increased contributions. The Administering Authority may need to consult other fund employers e.g. where they act as guarantor, as part of a review.

Note (g) (New Academy conversions)

At the time of writing, there have been no Council schools converting to become academies in the Fund. However, if such a converted academy were to join the Fund then the Fund's policies on academies' funding issues are as follows:

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance (or removal of the formal guarantee currently provided to academies by the DfE). Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS. In particular, policies (iv) and (v) above will be reconsidered at each valuation.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of

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security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also [Note \(i\)](#) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk, to other employers in the Fund, of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a “contractor”). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees’ Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see [Note \(j\)](#).

Employers which “outsource” have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor pays the same rate as the letting employer, which may be under a stabilisation approach.

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ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit (or entitled to any surplus) at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term. Please note, the level of exit credit (if any) payable on cessation would be determined by the Administering Authority in accordance with the Regulations and this FSS.

iii) Fixed contribution rate agreed ("Pass through")

Under this option the contractor pays a fixed contribution rate throughout the participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks "pass through" to the letting employer.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Alternatively, letting employers and Transferee Admission Bodies may operate any of the above options by entering into a separate Side Agreement. The Administering Authority would not necessarily be a party to this side agreement, but may treat the Admission Agreement as if it incorporates the side agreement terms where this is permitted by legislation or alternatively agreed by all parties.

Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies exiting the Fund)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
 - The insolvency, winding up or liquidation of the Admission Body;

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- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
 - A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund;
 - The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund; or
 - On termination of a Deferred Debt Agreement (see below).

On cessation, in the absence of a deferred debt arrangement, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus.

Payment of cessation debt

Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy is that this cessation debt is paid in a single lump sum within 30 days of the employer being notified.

However, in line with the Regulations and when in the best interests of all parties, the Fund may agree for this payment to be spread over an agreed period. However, such agreement would only be permitted at the Fund's discretion, where payment of the debt in a single immediate lump sum could be shown to be materially detrimental to the employer's normal operations. In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time.

The length of any spreading period will depend on the employer's financial circumstances and on the strength of any security provided, and ordinarily would not exceed [five] years. The Fund will confirm the spreading period, annual repayments including any interest, and any other costs (e.g. actuarial or legal) payable by the employer prior to the repayments starting.

The Fund will monitor the employer's circumstances regularly during the spreading period and may request updated financial information that could trigger a review of the arrangement and repayments.

Consideration of surplus / exit credit

Where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider:

- (i) the extent of any surplus,

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- (ii) the proportion of surplus arising as a result of the employer's contributions,
- (iii) any representations (such as risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee (or some other form of employer assistance/support) and
- (iv) any other factors the Administering Authority deem relevant.

The Fund's policy on exit credits is available here: [URL to be added].

Allowance for McCloud on cessation

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will apply an uplift loading to the active and deferred liabilities of the ceasing employer, as an estimate of the possible impact of resulting benefit changes.

Allowance for expenses on cessation

The Fund Actuary charges a fee for carrying out an employer's cessation valuation and there will be other Fund administration expenses associated with the cessation, both of which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

Actuarial basis on cessation

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit/surplus will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there

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been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#);

- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (c), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit. This is subject to the agreement of all parties involved (i.e. the Fund, the exiting employer and the guarantor) who will need to consider any separate contractual agreements that have been put in place between the exiting employer and the guarantor.

If all parties do not agree, then:

- any surplus will normally be paid directly to the exiting employer (but with regard to the Fund's exit credit policy – see above under "Consideration of surplus / exit credit");
- in maintaining a consistent approach, the Fund will seek to recover any deficit from the exiting employer in the first instance, although if not possible the deficit will be subsumed by the guarantor; thereafter all remaining assets and liabilities will be subsumed by the letting authority.

Deferred Debt Agreement ("DDA") alternative to immediate cessation

As an alternative, where the ceasing Admission Body is continuing in business, the Administering Authority may enter into a written agreement with the Admission Body to defer their obligations to make an exit payment and continue to make secondary contributions (a 'Deferred Debt Agreement' as described in Regulation 64 (7A)). The Admission Body must meet all active employer requirements and pay the secondary rate of contributions as determined by the Fund Actuary until the termination of the DDA.

- The Administering Authority will consider DDAs in the following circumstances:

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- The Admission Body requests the Fund consider a DDA;
- The Admission Body is expected to have a deficit if a cessation valuation was carried out;
 - The Admission Body is expected to be a going concern; and
 - The covenant of the Admission Body is considered sufficient by the Administering Authority.
- The Administering Authority will normally require:
 - Security be put in place covering the Admission Body’s deficit on their cessation basis;
 - Regular monitoring of the contribution requirements and security requirements;
 - All costs of the arrangement are met by the Admission Body, such as the cost of advice to the Fund, ongoing monitoring of the arrangement, and correspondence on any ongoing contribution and security requirements.
- A DDA will normally terminate on the first date on which one of the following events occurs:
 - the Admission Body enrolls new active Fund members;
 - the period specified, or as varied, under the DDA elapses;
 - the take-over, amalgamation, insolvency, winding up or liquidation of the Admission Body;
 - the Administering Authority serves a notice on the Admission Body that the Administering Authority is reasonably satisfied that the Admission Body’s ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months;
 - the Fund actuary assesses that the Admission Body has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (i.e. Admission Body is now largely fully funded on their cessation basis);
 - the Fund actuary assesses that the Admission Body’s value of liabilities has fallen below an agreed de minimis level, if the employer becomes an exiting employer on the calculation date; or
 - The Admission Body requests early termination of the DDA and settles the exit payment in full as calculated by the Fund actuary on the calculation date (i.e. the Admission Body pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the Admission Body will become an exiting employer and a cessation valuation will be completed in line with this FSS.

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3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. The current pools in place within the Fund are as follows:

- Schools generally are pooled with the Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

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- the extent of the employer’s deficit;
- the amount and quality of the security offered;
- the employer’s financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members’ benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer’s consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions (‘strain’) wherever an employee retires before attaining this age. The actuary’s funding basis makes no allowance for premature retirement except on grounds of ill-health.

With the agreement of the Administering Authority the payment can be spread as follows:

Council	- up to 5 years
Community Admission Bodies and Designating Employers	- up to 3 years
Academies	- up to 3 years
Transferee Admission Bodies	- payable immediately.

3.7 Ill health early retirement costs

In the event of a member’s early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see [3.8](#) below).

To mitigate this risk, individual employers may elect to use external insurance, which has been made available by the Fund (see [3.8](#) below).

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then the employer’s contribution to the Fund each year is reduced by the amount of that year’s insurance premium, so that the total contribution is unchanged.

The employer must keep the Administering Authority notified of any changes in the insurance policy’s coverage or premium terms, or if the policy is ceased.

Each employer may elect to use external insurance which has been made available by the Fund. Employers can request details from the Fund..

If an employer provides satisfactory evidence to the Administering Authority of putting in place an external insurance policy covering ill health early retirement strains, then:

- the employer’s contribution rate to the Fund each year is reduced by the amount of that year’s insurance premium rate, and

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- there is no need for monitoring of ill health allowances versus experience (as typically required for some employers).

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general an employer ceasing in the Fund, due to the departure of the last active member, will pay a cessation debt or receive an exit credit on an appropriate basis (see [3.3, Note \(j\)](#)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund.
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

The Fund may occasionally deal with bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described further in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix [A1](#)).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, triennially. It reports this to the regular Pensions Committee meetings, with these papers being made public on the Committee's website.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 (“Section 13”), the Government Actuary’s Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

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Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *“to establish a **clear and transparent fund-specific strategy** which will identify how employers’ pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities.”*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund’s actuary carries out triennial valuations to set employers’ contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to “consultation with such persons as the authority considers appropriate”, and should include “a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers”.

In practice, for the Fund, the consultation process for this FSS was as follows:

- a) There was an Employers Forum on 31 October 2019 at which questions regarding the Fund’s funding strategy could be raised and answered;
- b) A revised version of the FSS was issued to all participating employers in February 2020 for comment;
- c) Comments were requested by 28 February 2020;
- d) A draft version of the FSS was presented to the Pensions Committee on 3 March 2020, with Admitted Bodies’ attention being drawn to the Meeting papers at that time;
- e) Following the end of the consultation period and Pension Committee the FSS was updated where required and then published, in March 2020.[.

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A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at <http://www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/pension-fund-investment.en>
- A copy sent by e-mail to each participating employer in the Fund;
- A full copy included in the annual report of the Fund;
- Copies sent to independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8).

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at <http://www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/pension-fund-investment.en> .

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- prepare and maintain a FSS and a ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard

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to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;

- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see [Section 5](#));
- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p>

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Risk	Summary of Control Mechanisms
	<p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>
Liquidity issues posed by significant cessations posed by employers in surplus funding position	<p>Careful monitoring of funding levels at formal valuations, and allowing contribution holidays where appropriate to ensure employers do not generate significant surplus positions</p> <p>Ensuring that the Fund's investment strategy allows for a significant proportion of liquid investments and asset classes</p>
Effect of possible asset underperformance as a result of climate change	The impact of climate change on long term funding has been modelled and considered as part of the formal 2019 actuarial valuation.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>

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Risk	Summary of Control Mechanisms
<p>Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.</p>	<p>Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.</p>
<p>Deteriorating patterns of early retirements</p>	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
<p>Reductions in payroll causing insufficient deficit recovery payments</p>	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p> <p>For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

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C4 Regulatory risks

Risk	Summary of Control Mechanisms
<p>Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.</p>	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government’s long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
<p>Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).</p>	<p>Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.</p>
<p>Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.</p>	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

C5 Governance risks

Risk	Summary of Control Mechanisms
<p>Administering Authority unaware of structural changes in an employer’s membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.</p>	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer’s contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

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Risk	Summary of Control Mechanisms
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, wherever possible (see Notes (h) and (i) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>

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Risk	Summary of Control Mechanisms
<p>An employer ceasing to exist resulting in an exit credit being payable</p>	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

Appendix D – The calculation of Employer contributions

In [Section 2](#) there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in [Section 2](#), the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in [3.3 Note \(e\)](#) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

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2. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),
3. with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund’s actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer’s funding target assumptions (see [Appendix E](#)).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)
- at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)
- with a sufficiently high likelihood, as set by the Fund’s strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the “Economic Scenario Service”) developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund’s investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer’s funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer’s valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);

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3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate separate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund Actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this:

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March [2016] the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary tracks employer assets on an annual basis. Starting with each employer's assets from the previous year end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the year are added to calculate an asset value at the year end. The approach has some simplifying assumptions in that all cashflows and investment returns are assumed to have occurred uniformly over the course of the year. As the actual timing of cashflows and investment returns are not allowed for, the sum of all employers' asset values will deviate from the whole fund asset total over time (the deviation

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is expected to be minor). The difference is split between employers in proportion to their asset shares at each triennial valuation.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”), and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

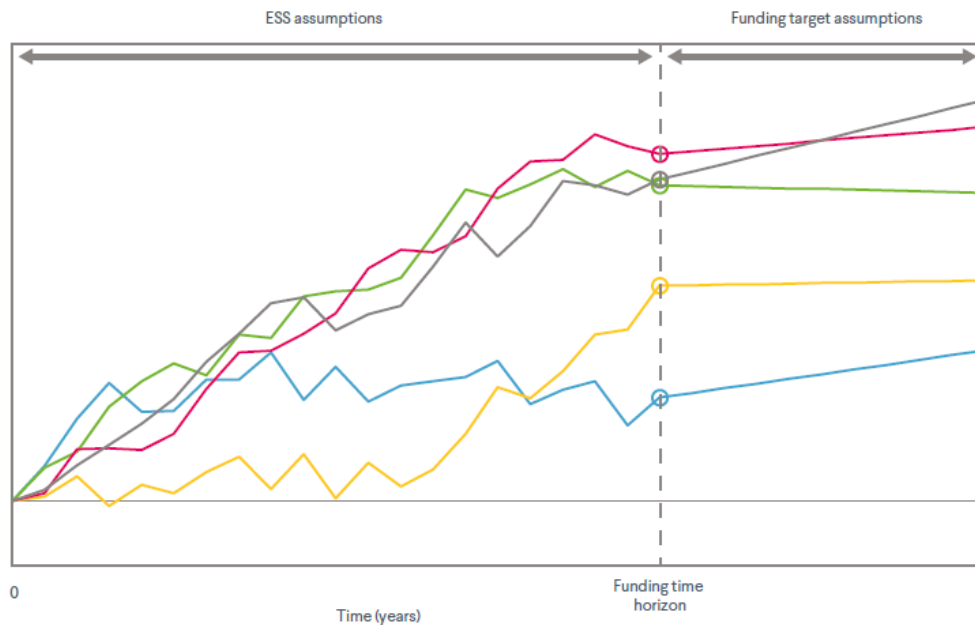
Changes in assumptions will affect the funding target and required contribution rate . However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.

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Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson’s ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
Volatility (Disp) (1 yr)		1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer’s funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to

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meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer’s funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer’s funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of [1.6]% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund’s assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

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1. 2% p.a. until 31 March 2022, followed by
2. 0.5% below the retail prices index (RPI) per annum p.a. thereafter.

This gives a single “blended” assumption of RPI less 0.6%. This is a change from the previous valuation, which assumed a blended assumption of RPI less 0.4% per annum. The change has led to a reduction in the funding target (all other things being equal).

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the “formula effect” of the difference between RPI and CPI. At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI (Note that the reduction is applied in a geometric, not arithmetic, basis).

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a lower allowance for future improvements than was made in 2016.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members’ benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in [\(3.3\)](#), these calculated figures are translated in different ways into employer contributions, depending on the employer’s circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund’s “trustees”.
Admission Bodies	Employers where there is an Admission Agreement setting out the employer’s obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) members of the Fund. Normally the assets and funding target values for each employer are individually tracked, together with its Primary rate at each valuation .
Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer’s time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be “fixed interest”, where the interest payments are level throughout the gilt’s term, or “index-linked” where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but are also used in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer’s covenant to be as strong as its guarantor’s.
Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will

APPENDIX 3 – FUNDING STRATEGY STATEMENT

revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.

LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's members , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its maturity also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal valuation . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

APPENDIX 3 – FUNDING STRATEGY STATEMENT

Secondary contribution rate

The difference between the employer's actual and **Primary contribution rates**. See [Appendix D](#) for further details.

Stabilisation

Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. .

Valuation

A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

LONDON BOROUGH OF CAMDEN PENSION FUND

APPENDIX 4: INVESTMENT STRATEGY STATEMENT

1. INTRODUCTION

- 1.1 All Local Government Pension Scheme (LGPS) funds are required to have an Investment Strategy Statement (ISS). Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 governs the requirements of this statement. This Fund has complied fully with these requirements.
- 1.2 The ISS deals with the Investment Strategy and includes how a Fund diversifies its assets, the choice of various investment classes and their suitability for the Fund, the authority's approach to risk and risk management, how the Fund will pool its investments in-line with the Government's pooling agenda, the Fund's approach to social, environmental and corporate governance considerations and how the Fund approaches its voting rights attached to holdings (normally stocks and shares).
- 1.3 The ISS also sets out the maximum percentage of investments that it will invest in particular investments or investment classes. This so called prudential framework replaces the requirements in schedule 1 of the LGPS (management and investment of funds) regulations 2009.
- 1.4 The Fund must have its initial ISS in place by 1 April 2017 and then must ensure it is regularly reviewed at intervals no longer than every three years.

2. BACKGROUND

- 2.1 The London Borough of Camden Pension Fund, (the Fund) is a Career Average Revalued Earnings (CARE) defined benefit pension scheme established by statute, operating under the Public Sector Pensions Act 2013. It provides retirement and death benefits for eligible members and their dependants. The benefits are defined in law and increased each year in-line with movements in inflation (Consumer price inflation).
- 2.2 The Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pensions Committee has responsibility for establishing investment policy and ongoing implementation.
- 2.3 The Pension Committee receives advice from the Executive Director Corporate Services, the Actuary, the Investment Consultant and Independent Investment Advisor. Day to day management of the Fund is delegated to appointed professional investment managers each of which is regulated by the Financial Conduct Authority and Prudential Regulation Authority, or an equivalent overseas regulator. Each investment manager operates under a specific Investment Management Agreement with investment guidelines, which governs the scope of its

investment activities for the Fund. The Fund also invests in a number of investment vehicles which are governed by own their prospectus and associated agreements.

- 2.4 The Pension Board first met in July 2015 and has been constituted with terms of reference agreed by Council on 20 May 2015. The Board's terms of reference require it to ensure the Fund complies with the regulations and other legislation relating to the governance and administration of the scheme and requirement of the Pensions Regulator. It must also ensure the effective and efficient governance and administration of the scheme.
- 2.5 Professional advice was sought from the Investment Consultant and Independent Investment Adviser in the preparation of this document.
- 2.6 The main responsibilities of key stakeholders and participants involved in the Pension Fund are set out in Appendix I.

3. **DIVERSIFICATION**

- 3.1 It is important to have a properly diversified portfolio of assets in order to reduce overall portfolio risk and volatility. This should ensure that if a single investment class is not performing well, performance should be balanced by other investment which are doing better at that time. The Fund believes that diversification of assets is in the best long term interests of the scheme beneficiaries.
- 3.2 The key benefit of the Fund's preferred strategy is the reduced volatility it offers relative to the Fund's liabilities. This can be seen most clearly in the improved return/risk ratio.
- 3.3 For each unit of risk taken, the preferred strategy generates a higher level of return. The main reason for this is the diversification benefits derived from taking a broader range of investment risks.
- 3.4 Increased diversification means the likelihood of very poor outcomes is materially reduced.
- 3.5 The Fund last reviewed its investment strategy in July 2020. These reports are very detailed and comprehensive reviews considering important themes such as diversification, risk versus return for various investment strategies and next steps for the Fund's strategic asset allocation.
- 3.6 Traditionally pension funds had a defensive allocation to bonds and a risk seeking allocation to stocks and shares (equities). Over time Funds have seen the benefits of diversification away from these core traditional asset classes. This Fund is highly diversified and has asset allocations to equities, bonds, property, diversified growth funds and private equity. The last three asset classes belong to the alternative asset class and are important tools used to diversify away from traditional asset classes.
- 3.7 Within its equity asset allocation the fund also further diversifies into active and passive equity. Within the passive equity allocation it further has allocations to both UK and overseas equity.

- 3.8 The Fund is diversified in other asset classes with separate UK and global allocations to property. Private equity has diversification over geography, vintage and investment stage (primary, secondary and co-investment).

4. **SUITABILITY OF INVESTMENTS**

- 4.1 Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those regulations at a level which covers only part of the cost of the benefits.
- 4.2 Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.
- 4.3 The Funding Strategy Statement is another important policy which together with the ISS governs how the Fund approaches its responsibilities. The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS sets out how the Administering Authority has balanced the conflicting aims of:
- affordability of employer contributions,
 - transparency of processes,
 - stability of employers' contributions, and
 - prudence in the funding basis
- 4.4 The FSS was last reviewed in 2021 and sets out the following objectives:
- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
 - to ensure that employer contribution rates are reasonably stable where appropriate;
 - to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
 - to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.
- 4.5 In ensuring that the Fund's assets are suitable to meet the liabilities as they fall due the Fund also periodically reviews Fund maturity. This was last reviewed following the triennial valuation in December 2019.
- 4.6 Cash flows in the maturity analysis do not consider investment income which is available to fund the smaller cash out flows. Investment income was £10.3m in 2020/21. Therefore in the shorter term income from investments will cover net cash out flows.
- 4.7 Fund Maturity is important as when a Fund becomes cash flow neutral it then must rely on its assets to fund benefits. In this scenario the investment strategy must factor in reducing assets and mandates must be structured so that assets can be withdrawn to fund benefits as and when required. The Fund has two mandates where illiquidity is an issue.
- 4.8 The first is the global property mandate with Partners which is structured as a commitment for capital calls and must be adhered to. The second is the private equity allocation with HarbourVest. These two mandates amount to 10% of the total assets under management and therefore their illiquidity is not considered an issue in the medium term.

Types of Investment held

- 4.9 Investments of suitable liquidity will be acquired and held to generate income and capital growth. Diversification of the portfolio of assets is achieved through different types of investment which are spread geographically. The major kinds of investment held and their characteristics are set out in the following paragraphs:
- 4.10 **UK Equities** which provide an equitable share in the assets and profits of UK companies. Income is provided through share dividends which have historically, over the longer term, risen above inflation. Equities produce capital gains/losses as share prices reflect investors' expectations of the prospects of a specific company, sector or market.
- 4.11 **Global Equities** are similar to UK equities but with exposure to the currency of the market where the share is listed. The investment return will be enhanced or reduced by the local market currency movement against sterling (unless the currency risk is hedged).
- 4.12 **Bonds** (Fixed Interest) are debt instruments issued by Governments and other borrowers. Bonds provide a fixed rate of interest and are generally redeemed at par by the issuer at a known future date. The price reflects the fixed level of interest, the term to redemption and the overall return (the yield) demanded by investors. Bond prices tend to fluctuate less than the price of equities.
- 4.13 **Index-linked bonds** are debt instruments mainly issued by Governments. The interest and redemption value are directly linked to a reference price inflation measure.

- 4.14 **Property** is investment in land or buildings such as offices, retail or industrial units. The income return comes from the rent payable. Property values primarily reflect rent levels and investor sentiment.
- 4.15 **Hedge Funds** are pooled funds which use a variety of strategies and instruments including derivatives to target absolute returns in all market conditions.
- 4.16 **Diversified Growth Funds (DGFs)** are pooled funds that invest in a variety of investment classes, and use active asset allocation between investment classes as a driver for performance.
- 4.17 **Cash** is mainly deposited with institutions for short periods and attracts interest at market rates.
- 4.18 The table below gives a summary of the main features of the various available asset classes, including an estimate of the long term real (in excess of price inflation) returns considered to be reasonably available.

Investment	Inflation linking	Real returns (% pa)	Liquidity
UK Equities	Reasonable/good	6-8	Good
Global Equities	Reasonable	5-7	Good
Property	Reasonable/good	5-7	Poor
Bonds	Poor	1-3	Good
Index linked bonds	Good	-0.5-2	Good
Hedge Funds	Reasonable	3-5	Reasonable
DGFs	Reasonable	3-5	Good
Cash	Variable	0-1	Good

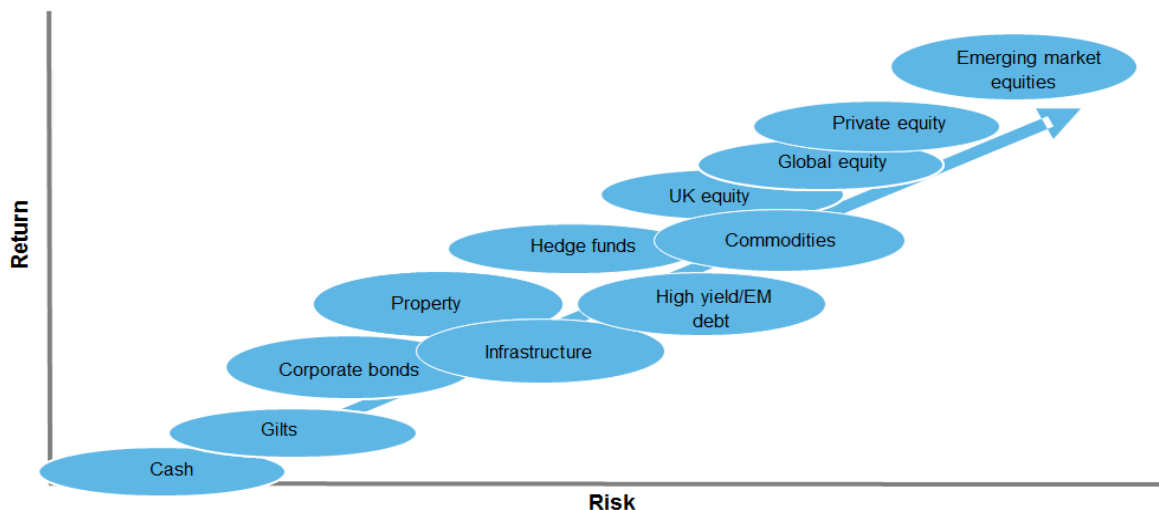
- 4.19 The estimated real returns shown in the table (based on information provided by the Investment Consultant) are indicative, and the volatility of the asset class returns could result in investment returns being above or below those shown in the table.

Balance Between Different Kinds of Investment

- 4.20 The allocation of assets between the various different available types for the medium to long term is determined by the Strategic Asset Allocation (**Appendix II**), which has been set with advice from the Actuary and the Investment Consultant. The Strategic Asset Allocation reflects both the investment risk tolerances and funding level.
- 4.21 It is recognised that the Strategic Asset Allocation is possibly the most important factor affecting the long term investment objective. It will be reviewed periodically to maintain a reasonable expectation of achieving the investment objective, consistent with an appropriate level of diversification.

5. RISK

- 5.1 In order to ensure the long term solvency of the Pension Fund and ensure the Fund meets its objective to be 100% funded the Fund will hold risk seeking assets. However, the Fund also has diversified from pure equity risk and holds several other asset classes in order to ensure returns are uncorrelated.
- 5.2 The Fund is exposed to several investment risks. Some of these risks can be mitigated but the Fund should seek to be rewarded for taking on others.
- 5.3 The Fund currently takes the following risks which the Fund expects to be rewarded for within the overall investment strategy:
- Equity risk – Harris, Baillie Gifford, Barings, Legal & General, Standard Life and Ruffer
 - Credit risk – Insight, Barings, Ruffer and Standard Life, and
 - Illiquidity risk – CBRE, Partners Group and HarbourVest.
- 5.4 In itself, investment risk is not necessarily a bad thing, provided the Fund expects to be rewarded for taking it and can take a long term view in order to look through short and medium term downturns in investment markets. The expected risk return characteristics of different asset classes are highlighted in the following chart.



- 5.5 The chart shows the expected risk return characteristics of different asset classes in ordinal format. We note that in order to achieve higher expected returns we are typically required to take on additional investment risk (usually in terms of price volatility, credit risk or illiquidity).
- 5.6 However, there are benefits in terms of investing in a diversified asset portfolio, as different investment markets do not typically behave in the same way at the same time (except potentially in times of significant economic crises, where high quality government bonds can be the only major asset class to perform well).

- 5.7 The relationship between the price movements of different asset classes relative to each other over time is often referred to as correlation. The Fund needs to ensure that asset classes are not highly correlated as would expose it to undue risk in the event of a significant drop in asset values and would mean all asset classes fall affecting Fund value and the ultimate objective of Fund assets supporting 100% of the Fund's liabilities.
- 5.8 There are also investment market, economic and demographic factors that also affect the value of the Fund's liabilities. How our assets and liabilities move in value relative to each other is also an important consideration.
- 5.9 There is no perfect matching asset for an LGPS fund's liabilities, although it is often stated that a long dated index-linked gilt comes closest (see also our previous comments on the construction of a liability proxy for modelling purposes). This is because an LGPS fund's liabilities are bond like in nature (essentially a series of benefit payment cash outflows) and that are also real in nature (i.e. increase in-line with inflation).
- 5.10 However, index-linked gilts are commonly held to be very expensive at present, and holding them in substantial quantities would inevitably increase the contributions to unaffordable levels and have a detrimental impact on the deficit (i.e. reduce the funding level).
- 5.11 The Funding Strategy Statement sets out the keys risk and groups these into Financial, demographic and regulatory and governance risks. These are included in **Appendix IV**.
- 5.12 The main risks taken into consideration to establish the Strategic Asset Allocation and set the investment objectives for the Fund are:
Solvency and mismatching risks
- 5.13 The expected change in the liabilities and funding level relative to the current investment policy, managed by assessing the progress of the actual change in liabilities relative to the current investment strategy.
Manager risk
- 5.14 The extent to which risk and returns deviate from those anticipated, managed by monitoring the outturn relative to the objective set. Manager risk has been reduced through the appointment of a number of different managers following different investment strategies.
Political and Currency Risks
- 5.15 The concentration of assets in a market leading to the risk of an adverse impact on investment values due to political intervention, managed by regular reviews of the levels of diversification of the actual investments relative to the policy position.

Liquidity risk

- 5.16 The level of cash flow needed to meet the regular commitments of the Fund, managed by assessing the level of cash held and monitoring the anticipated liquidity levels of the assets held in order to limit the impact of cash flow requirements on the investment policy.

Custodial risk

- 5.17 The continuing ability of the custodian to settle trades in a timely manner and provide secure custody of the assets, managed by regular review and reporting from the custodian compared with agreed service standards, and the continued monitoring of the custodians credit rating.

Risk Register

- 5.18 The other risks that are taken into account when assessing the total risk of the Fund are shown in a Risk Register, which is reviewed annually by Pension Committee and was last considered in September 2021.

6. POOLING AND SHARED SERVICES

- 6.1 This Fund is part of the London Collective Investment Vehicle (LCIV) which has been set up for London pension funds. This pool has the support of all 33 London Borough pension funds with **£11.2bn** of assets already under management with another £12.6bn under passive management.
- 6.2 The Fund formally agreed to join the London CIV as part of the Government's pooling agenda. The London CIV was constituted in late 2015 and has since opened a range of sub-funds covering liquid asset classes, with the bulk of less liquid asset classes to follow.
- 6.3 The London CIV is fully authorised by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund.
- 6.4 The Board of Directors are responsible for decision making within the CIV. This includes decisions to appoint and remove investment managers. The share structure of London CIV provides for equal voting rights for each authority on a one share one vote basis.
- 6.5 As an AIFM the London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and the reporting regime of the FCA. This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and the London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management.

- 6.6 The Pensions Sectoral Joint Committee (“PSJC”) has been established under the governing arrangements of London Councils. The PSJC effectively fulfils two roles, one is as a mechanism for convening elected Member representation from each borough (generally the borough’s Pension Committee Chair), and the other is as the route to convening the Authorities as shareholders in the London CIV. This Committee will provide scrutiny and oversight of the CIV for the Authorities, with each Borough represented on the Committee with voting rights.
- 6.7 Each Fund in the London CIV has a nomination to the Pensions Sectoral Joint Committee and our Chair, Cllr Madlani, participates in these meetings. The Head of Treasury and Financial Transactions is also part of an officer group known as the Investment Advisory Committee.
- 6.8 Deloitte have been appointed to undertake external audit of both the company (London CIV) and the ACS Fund and will provide an annual governance statement which will be publicly available on the CIV website.
- 6.9 The formal structures that the London CIV has put in place, including FCA registration and the appointment of a Depositary (Northern Trust), help to provide additional scrutiny of the CIV in providing monitoring and regulatory oversight of the company and a range of services including:
- Safe custody of assets
 - Oversight of key systems and processes
 - Due-diligence review of the Operator (London CIV), and the Custodian, Fund Accountant, and Transfer Agent (Northern Trust)
- 6.10 The Shareholders Agreement has been signed by all 33 London Borough Pension Funds and sets out the terms and conditions of the joint venture and regulates the relationship with Funds and certain aspects of the affairs of and dealings with the Company.
- 6.11 The Minister has confirmed that the London CIV meets the investment reform and criteria published in November 2015.
- 6.12 The Fund has already transitioned assets into the London CIV with, (Baillie Gifford sub-fund) and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.
- 6.13 The Fund holds 31% or £655m of its assets in life funds (Legal and General) and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.
- 6.14 The Camden Fund was instrumental in constituting the Pensions Shared Service. This service deals with the administration functions of the Camden and Wandsworth pension funds including dealing with member requests, employers and administering benefits and pension payroll

functions. The shared service has now expanded to include Merton, Richmond and Waltham Forest pension funds.

7. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) POLICY

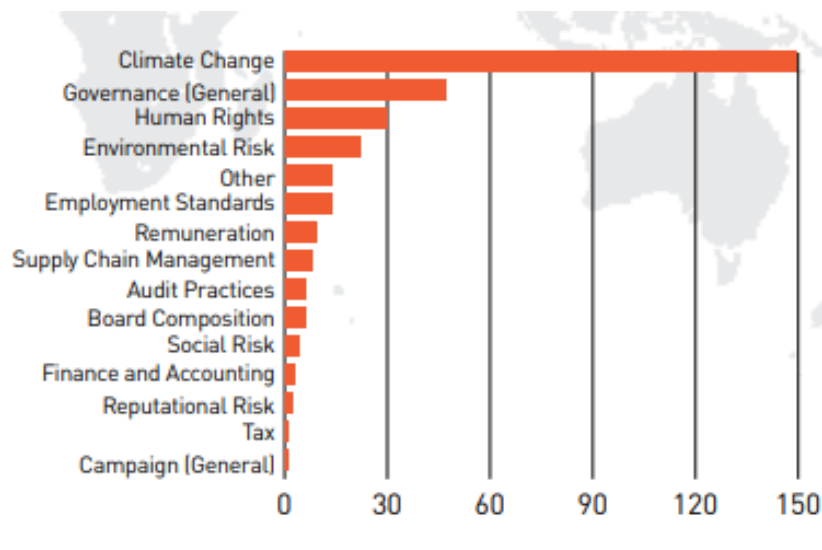
The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Investment Strategy Statement, the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund's behalf.

The Fund believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards might be expected to produce shareholder returns that are at least comparable to those produced by other companies.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF was formed in 1990 and is a voluntary association of local authority pension funds based in the UK. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which its members invest. The Forum's members currently have combined assets of nearly £300 billion.

LAPFF has campaigned on a number of issues and the split of issues can be seen below. The graph is based on corporate engagement over the year to December 2020 via letters, conference calls, filed resolutions or meetings.

LAPFF ENGAGEMENT TOPICS



8. The 2020 LAPFF Annual Report, summarising activity and highlighting the organisation's achievements can be found via the following link: https://lapfforum.org/wp-content/uploads/2020/12/LAPFF_annual-report-2020_final2.pdf
- 8.1 Climate Change was the most frequent engagement area for the year for LAPFF, with engagement on Governance the next most common.
- 8.2 LAPFF has long campaigned for reform of the UK's system financial regulation and in particular the Financial Reporting Council (FRC) as the setter of standards and regulator for the accounting industry.
- 8.3 Governance-related engagements covered a wide range of topics, including board composition, executive pay, tax transparency, and climate change, plastics, reliable accounts, agribusiness, human rights, corruption, workforce issues, technology, micro-insurance, housebuilding and shareholder resolutions.
- 8.4 Those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.
- 8.5 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include on training and information sessions on matters of social, environmental and corporate governance.

- 8.6 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.
- 8.7 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors.
- 8.8 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.
- 8.9 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.
- 8.10 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other appropriate relevant parties.

Voting Rights

The Fund believes in the role of proactive engagement as the most effective way of influencing companies in relation to social, environmental and business policies whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives. The fund therefore places great importance on the exercise of voting rights attached to the Fund's investments.

Camden has appointed PIRC to provide the services of Corporate Governance Advisor and proxy voting agent to the Fund. The aim of the advisors has been to research companies with which the Fund has voting rights, and to ensure that those voting rights are used in the most advantageous way. The Fund has agreed a bespoke voting policy and PIRC ensure that votes are cast in line with the Camden policy for all segregated company shares, as well as the proportion of shares held in pooled UK equity fund held by the Camden.

In the calendar year 2020, voting took place as follows:

Resolution Type

Vote	Occurrences	Proportion
For	8,076	69.66%
Against	3,431	29.59%
Withhold	11	0.09%
Abstain	0	0.00%
Non-Voting / Withdrawn	72	0.62%
US Frequency Vote on Pay	4	0.03%
Total	11,594	100%

The Camden Pension Fund voted shares at 803 separate company meetings during the year.

PENSION FUND RESPONSIBILITIES

This appendix sets out the key individuals, consultants, investment professionals and investment managers involved in the Fund.

Pension Committee

Members

Cllr Rishi Madlani (Chair)

Cllr Heather Johnson (Vice Chair)

Cllr Abdul Quadir

Cllr Ranjit Singh

Cllr Stephen Stark

Cllr Shiva Tiwari

Cllr Jenny Mulholland

Cllr Lorna Russell

Substitute Members

Cllr Sabrina Francis

Cllr Oliver Lewis

Cllr Siân Berry

Cllr Nazman Rahman

Cllr Roger Robinson

Cllr Gio Spinella

Cllr Paul Tomlinson

The following officers are based across Council offices at 5 Pancras Square and Dennis Geffen Annexe.

Executive Director Corporate Services

Jon Rowney

Director of Finance

Daniel Omisore

Head of Treasury & Financial Transactions

Nigel Mascarenhas

Pension Fund Accountant

James Gilliland

Scheme Administrator

Martin Doyle
Pensions Shared Service
Wandsworth Council
Room 70
The Town Hall
Wandsworth High Street
London. SW18 2PU

Legal Advisor

Andrew Maughan, Borough Solicitor

Investment Managers

Baillie Gifford (CIV Sub-Fund)

70 Great Bridgewater Street,
Manchester,
M1 5ES

Baring Asset Management Ltd

155 Bishopsgate
London, EC2M 3XY

**Insight Investment Management
(Global) Ltd**

160 Queen Victoria Street,
London, EC4V 4LA

Harris Associates LP

111 South Wacker Drive, Suite 4600
Chicago, Illinois 60606

**CBRE Global Investment Partners
Ltd**

Third Floor
One New Change
London, EC4M 9AF

**Legal & General Investment
Management**

One Coleman Street,
London, EC2R 5AA

Standard Life Assurance Ltd

1 George Street |
Edinburgh EH2 2LL

Partners Group (UK) Ltd

14th Floor, Heron Tower
110 Bishopsgate
London, EC2N 4AY

HarbourVest Partners (Europe) Ltd

33 Jermyn Street
London, SW1Y 6DN

Ruffer LLP

80 Victoria Street
London, SW1E 5JL

CQS (UK) LLP

4th Floor
One Strand
London, WC2N 5HR

Stepstone

2 St James's Market
London, SW1Y 4AH

Custodian

J.P. Morgan Limited

25 Bank Street
Canary Wharf
London, E14 5JP

Performance Measurement

**Pensions & Investment Research
Consultants (PIRC) Ltd**

2 Harbour Exchange Square
London, E1 8AZ

Investment Consultant

**Andrew Singh
Iseran Bidco Ltd**
10 Norwich Street
London EC4A 1BD

Independent Investment Advisor

**Karen Shackleton
MJ Hudson (Allenbridge) Ltd**
8 Old Jewry,
London,
EC2R 8DN

Actuary

**Douglas Green
Hymans Robertson LLP**
20 Waterloo Street,
Glasgow, G2 6DB

Corporate Governance Adviser

**Pensions & Investment Research
Consultants (PIRC) Ltd**
2 Harbour Exchange Square
London, E1 8AZ

Auditors

Mazars
15 Canada Square
Canary Wharf
London, E14 5GL

AVC Providers

Phoenix Life Limited
PO Box 2570
St James House
27-43 Eastern Road
Romford, RM1 3YW

**Prudential Assurance Company
Limited**

5 Laurence Pountney Hill,
London, EC4R 0HH

Bodies of which the Pension Fund is a Member or Subscriber

Club Vita
Local Authority Pension Fund Forum (LAPFF)
London Pension Fund Forum (LPFF)
London Collective Investment Vehicle (LCIV)

Pension Committee (PC)

The PC has delegated authority from the Council to make decisions for the Fund, acting with advice from the Actuary, Investment Consultant, Independent Advisor and the Executive Director of Corporate Services.

The investment powers of the Pension Committee are set out in regulations. The Committee has approved and adopted this ISS in relation to the investment of the Fund's assets, and the ISS is consistent with the investment policies established and implemented by the Committee for the Fund.

The Committee meets at least quarterly and comprises eight voting members, seven from the Labour Group and one from the Conservative Group. There is a quorum of two members to ensure meetings can function and there are eight substitute members.

There are four observer (non-voting) posts to the Committee representing trade unions and two representing retired members.

The responsibilities of the Committee are to:

General

- To act as Trustees of the Council's Pension Fund within the terms of the Superannuation Act 1972 and to administer all matters concerning the Council's pension investments in accordance with any applicable law and policy.
- To make arrangement for the appointment of and appoint suitably qualified investment managers and custodians and to periodically review those arrangements.
- To ensure that appropriate and sufficient training has been undertaken by all members of the Committee in order to discharge their functions.
- To take proper advice from officers, investment consultants, independent investment adviser, pension board and actuary

Investment

- Set and review Investment strategy for the Fund

- To formulate and publish a Statement of Investment Principles
- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers.
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers, the performance measures to be set for them and review investment management performance against targets.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
- Ensure the Fund's voting rights are exercised in line with the Fund's voting policy to ensure the best outcome for the Fund's investment purposes and ensure engagement supports the investment strategy and Fund's performance, except co-filing requests put forward by the LAPFF; and support for resolutions in respect of companies that the Fund does not have a direct shareholding in, which remains a matter for the Executive Director Corporate Services in consultation with the Chair of the Pension Committee unless time allows for the matter to be reported to the Committee for decision.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.

Liabilities

- To review the risks inherent in the management of the Pension Fund
- To review the strength of admitted bodies and ability to honour their liabilities.
- To agree and keep under review a Contribution Strategy and agree the Triennial Valuation.
- Admit new and exit ceasing employers as and when these arise.
- To monitor liabilities and ensure progress towards full funded status of all employers.
- To understand the maturity of the Fund and keep cash flow considerations under review

The Committee operates under procedural rules as set out in the Camden Constitution, which can be accessed via the Council's website:

<https://www.camden.gov.uk/documents/20142/7661411/Constitution+of+L+B+Camden.pdf/1df46c62-8de2-ccd7-d7bb-63d8071b9188?t=1602240903447>

Investment Managers

Thirteen appointed investment managers have responsibility for managing passive index-tracking and active portfolios of equity, bonds, infrastructure, diversified growth funds, property investments and private equity funds.

The responsibilities of the investment managers are to:

- Invest the assets of the Fund in compliance with prevailing legislation, the policies set out in this SIP and their Investment Management Agreements.
- Submit quarterly reports on valuation, activity and investment performance.
- Attend meetings with the Director of Finance and/or Committee.
- Assist the Director of Finance in the preparation of the SIP.

Custodian

The investments of the Fund are held and recorded independently by a custodian bank, JP Morgan, responsible for safe custody of share certificates and other evidence of title.

The responsibilities of the custodian are to:

- Hold assets in compliance with prevailing market legislation.
- Provide periodic valuations and reports on activity and investments held in custody.
- Settle investment transactions in the market.
- Account for and collect dividends and income and make tax reclaims.
- Hold uninvested cash in a liquidity account.
- Process corporate actions and vote shares held to the Fund's order where appropriate.

Actuary

The responsibilities of the Actuary (Hymans Robertson) are to:

- Prepare the triennial valuation of the Fund.
- Provide advice to the Committee on the funding level to assist in formulating investment objectives and policies for the Fund.
- Provide intra valuation advice on the estimated funding level and pension costs.

Investment Consultant and Independent Investment Advisor

The responsibilities of the Investment Consultant (Aon Hewitt) and Independent Investment Advisor (Karen Shackleton) are to advise the Executive Director of Corporate Services and the Committee on:

- Investment strategy and the risks and anticipated returns associated with different investment strategies and asset classes.
- Assist with the selection, ongoing monitoring and review of investment managers and custodian.
- Advise the Director of Finance on the preparation of the SIP.

Executive Director Corporate Services

The Executive Director Corporate Services and officers reporting to him are responsible for:

- The execution of policy decisions and operational running of the Fund
- Administrative arrangements with investment managers, custodian and advisers
- Preparation of reports for the Committee
- Preparing the Fund annual report and accounts
- Regular interim briefing meetings with investment managers
- Ensuring that the ISS and other relevant Fund documentation is reviewed and updated periodically, and ensuring compliance by investment managers with the ISS and Investment Management Agreements

Pension Board

The Pension Board is defined by the Public Service Pensions Act 2013, will be responsible for:

Assisting the Administering Authority as Scheme Manager to:

- Secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- Secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- Carry out such other matters as the LGPS regulations may specify

Securing the effective and efficient governance and administration of the LGPS for the Camden Pension Fund.

The role is one of providing oversight of assurance in and governance of the scheme administration and not decision making.

The Pension Board will ensure that the Pension Fund is managed and administered effectively and efficiently and complies with any code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within the extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- Review the implementation of revised policies and procedures following changes to the Scheme.
- Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- Review the outcome of external audit reports.

- Review draft accounts and Fund annual report.

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Review the risk register as it relates to the scheme manager function of the authority.
- Review the outcome of actuarial reporting and valuations.
- Monitor in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.

From 1 June 2020

ASSET CLASS	%	%	Basis
GLOBAL EQUITIES			
Baillie Gifford (CIV)	15		Active
Harris	15		Active
Legal & General	<u>15</u>		Passive
		45	
UK EQUITIES			
Legal & General	<u>5</u>		Passive
		5	
INDEX-LINKED GILTS			
Legal & General	<u>3</u>		Passive
		3	
BONDS			
Insight (phased transfer to CQS pending)	0		Active
CQS	<u>12</u>		
		12	
PROPERTY			
CBRE	5		Active
Partners Group	<u>5</u>		Active
		10	
INFRASTRUCTURE			
Stepstone	<u>5</u>		Active
		5	
DIVERSIFIED GROWTH FUNDS			
Barings	5		Active
Standard Life	5		Active
Ruffer	<u>5</u>		
		15	
PRIVATE EQUITY			
HarbourVest	<u>5</u>		Active
		5	
TOTAL FUND		<u>100</u>	

Asset Allocations with CIV appended are sub funds of the London CIV.

PENSION FUND ANNUAL REPORT 2020/21
APPENDIX 4: INVESTMENT STRATEGY STATEMENT

ASSET CLASS	INVESTMENT MANAGER	PERFORMANCE BENCHMARK AND TARGET OUTPERFORMANCE
Active Global Equities	Aberdeen Asset Managers/	To outperform the MSCI All Countries World Index by 2-3% p.a. over rolling 3 and 5 year periods, on a Gross Return basis, gross of fees
Active Global Equities	Harris Associates	To outperform the MSCI All Countries World Index by 2-3% p.a. over rolling 3 and 5 year periods, on a Gross Return basis, gross of fees
Passive Global Equities	Legal & General	To track the total return of the FTSE-All World Index within + / - 0.25% p.a. two years out of any three, before the deduction of fees
Passive UK Equities	Legal & General	To track the total return of the FTSE-All Share Index within + / - 0.25% p.a. two years out of any three, before the deduction of fees
Index-Linked Gilts (Passive)	Legal & General	To track the total return of the FTSE-A Government Index-Linked (Over 5 Year) index within + / - 0.25% p.a. two years out of any three, before the deduction of fees.
Active Bonds	Insight Investment Management	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 4% p.a. over the life of the Fund
UK Property	CBRE Collective Investors	To outperform the IPD UK All Balanced Property Funds Index by 1.0% p.a. over rolling 3 year periods.
Global Property	Partners Group (UK) Limited	This is an absolute return mandate with the manager targeting an absolute return in excess of 15% p.a. over the life of the Fund.

PENSION FUND ANNUAL REPORT 2018/19
APPENDIX 4: INVESTMENT STRATEGY STATEMENT

ASSET CLASS	INVESTMENT MANAGER	PERFORMANCE BENCHMARK AND TARGET OUTPERFORMANCE
Diversified Growth Fund	Baring Asset Management	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 4% p.a. over the life of the Fund.
Diversified Growth Fund	Standard Life Assurance Limited	This is an absolute return mandate with the manager committing to target a return of cash (3 months GBP LIBOR) plus 5% p.a. over the life of the Fund.
Private Equity	HarbourVest Partners	This is an absolute return mandate with the manager targeting an absolute return in excess of 8% p.a. over the life of the Fund.
Infrastructure	Stepstone	This is an absolute return mandate with the manager targeting an absolute return in excess of 8%-10% p.a. over the life of the Fund
Fixed Income	CQS	To achieve a return of LIBOR plus 4-5%, with a net asset volatility of 4-6%, on an annualised basis over a rolling 4 year period, net of fees.

Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	<p>Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context.</p> <p>Inter-valuation monitoring, as above.</p> <p>Some investment in bonds helps to mitigate this risk.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p>

PENSION FUND ANNUAL REPORT 2018/19
APPENDIX 4: INVESTMENT STRATEGY STATEMENT

Risk	Summary of Control Mechanisms
	<p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.</p>
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p>

PENSION FUND ANNUAL REPORT 2018/19
APPENDIX 4: INVESTMENT STRATEGY STATEMENT

Risk	Summary of Control Mechanisms
	For other employers, review of contributions is permitted in general between valuations (see Note (f)) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.</p>
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see section 5)	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

PENSION FUND ANNUAL REPORT 2018/19
APPENDIX 4: INVESTMENT STRATEGY STATEMENT

Risk	Summary of Control Mechanisms
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see 3.3).</p>

APPENDIX E: COMPLIANCE STATEMENT

Camden's compliance with the six Principles of Investment Decision Making, as established by the CIPFA Pensions Panel, and required by the LGPS Regulations 2009.

Date Reviewed: August 2015

Principle 1: Effective decision making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources to make them effectively and monitor their implementation;
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Fully Compliant

Camden Council operates a Pension Committee within a formal framework of financial controls and decision making; Consideration is given to strategic asset allocation and particularly during reviews of fund management arrangements.

Dedicated training sessions are scheduled twice annually for all members of the Committee.

Expert advice is received from external consultants including the investment consultant, independent investment advisor, fund actuary, and corporate governance advisor, as well as the individual investment managers.

A business plan is presented to every meeting of the Pension Committee, which includes training carried out by officers and Committee Members in the last 12 months, and future opportunities for training, which are offered to all the members of the Committee.

Principle 2: Clear objectives

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Fully Compliant

The Fund's investment objectives are set out in the Statement of Investment Principles. The benchmark and risk parameters are clearly stated in the Investment Management Agreements with each investment manager.

The same investment strategy is currently followed for all employers. The actuary has not advised the authority to operate different investment strategies for different employers.

The strength of the covenant for non-local authority employers is assessed by the Fund's Actuary (Hymans Robertson), and the results will be available in time for the next triennial valuation.

The Pension Committee considers a register of all non-local authority employers on an annual basis, to monitor their funding positions and scheme status.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Fully Compliant

The asset allocation strategy is reviewed at least every 3 years. The Investment Consultant is periodically commissioned to carry out an asset liability study which models the risk/reward characteristics of different investment strategies.

The study follows the triennial actuarial valuation and the form and structure of the liabilities are fully taken into account.

The liabilities are reviewed by Hymans Robertson on an annual basis between full valuations.

Additional investigation is made into the Fund's longevity risk by being a member of Club Vita. This has been set up by Hymans Robertson to specifically measure the effect of longevity using the data which is scheme specific.

The cash flow and scheme membership of the Fund is reported to the Pension Committee on an annual basis.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.

Fully Compliant

Performance measurement of the investments and investment managers are provided by the Performance Measurer, Custodian, Independent Investment Advisor and Investment Consultant.

The decisions reached by the Pension Committee are reviewed on both a quarterly and yearly basis.

The Investment Consultant and Independent Investment Advisor advise the Fund on any major developments or changes that may affect the performance of the investment managers.

The effectiveness of the investment decisions is measured by means of the adherence to the asset allocation and the expected improvement in performance of the investments.

The investment managers are asked to attend officer-led quarterly meetings outside the formal Committee meeting schedule and on an ad hoc basis when it is deemed necessary; Committee members are invited to attend. Managers are also seen regularly by the Independent Investment Advisor separately from these meetings.

Principle 5: Responsible ownership

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the statement of investment principles.
- report periodically to scheme members on the discharge of such responsibilities.

Fully Compliant

All of the equity managers have adopted the Institutional Shareholders' Committee Statement of Principles.

The Fund has agreed a bespoke voting policy which is reviewed and updated annually by the Pension Committee. The votes are cast on behalf of the Fund by PIRC in accordance with this policy. A summary of the fund's voting policy can be found via the following webpage: <http://www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/pension-fund-investment.en>

PIRC records the votes cast by the Fund, and issues a quarterly statistical report, which is incorporated into the quarterly Engagement Report received by the Committee. PIRC also present a report of activity annually to the Committee.

The Fund's policy on responsible ownership is set out in its Statement of Investment Principles.

The Fund is a participating member of the Local Authority Pension Fund Forum (LAPFF) and receives information on environmental, social and governance issues.

Principle 6: Transparency and reporting

Administering authorities should:

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.
- Provide regular communication to scheme members in the form they consider most appropriate.

Fully Compliant

The Fund has produced a Statement of Investment Principles, a Governance Compliance Statement, a Communications Policy Statement and a Funding Strategy Statement which all form part of the Pension Fund Annual Report.

The Pension Fund Annual Report is posted on Camden's Pension Fund section of the Camden website.

Members can also request information directly from the Council. General queries are answered by telephone, with detailed questions regarding individual cases being received by letter, fax or email.

Consultation is carried out with non-local authority employers on all Fund business including the triennial valuation and Funding Strategy Statement. Furthermore, all agendas of the Committee meetings are circulated to admitted bodies, and employer representatives are encouraged to attend.

The Council has brought its website into line with best practice in other authorities in order to assist members of the Fund to get information they require with ease.

APPENDIX 5: COMMUNICATIONS POLICY STATEMENT

Introduction

This Communications Policy Statement has been drawn up in compliance with the Local Government Pension Scheme Regulations to ensure that the Camden Pension Fund offers clear communication to stakeholders of the LGPS. Who we communicate with:

- Scheme Members (active, deferred, pensioner)
- Prospective Scheme Members
- Representatives of Scheme Members
- Employing Authorities

The Camden Pension Fund is fully committed to providing all groups with as much information as possible concerning the operation of the Local Government Pension Scheme and the way in which any changes to the Scheme will affect members' benefits.

SCHEME MEMBERS

The methods by which the Fund communicates with scheme members are as follows:

Newsletters

All active, deferred, and pensioner members receive an annual newsletter.

Scheme literature

A range of useful information, forms and links are currently available on the Pensions Shared Service website (<https://pensionssharedservice.org.uk/>) and on the national website: www.lgpsmember.org/

Annual Report

The Fund's Annual Report can be viewed on the Camden website.

Annual Benefit Statements

Annual Benefit Statements are posted to the home addresses of the Fund's active and deferred members in August.

Website

Camden's Pension Investments and Governance section of the Camden website is updated to include new information and currently includes:

- Governance Compliance Statement
- Investment Strategy Statement
- Funding Strategy Statement
- Annual Fund report
- Communications Policy Statement
- Statement of Account

Pay advice slips/P60s

Pay advice slips are sent to pensioner members' home addresses each March, April and May. P60s are also sent out in May. A short communication can be included on the pay advice notice. If a member has a change of more than £1 in their monthly net pension payment, a pay advice slip will be sent to them in that month.

PROSPECTIVE SCHEME MEMBERS

All employees are automatically enrolled into the scheme but can elect to opt out. Information about the Local Government Pension Scheme (LGPS) is sent out with all job offers. Prospective scheme members are directed to additional information available on the national LGPS website www.lgpsmember.org

REPRESENTATIVES OF SCHEME MEMBERS

Scheme members' interests in the Fund are represented by the Pensions Committee which acts in a trustee capacity. The Committee currently comprises eight voting members who are Camden Councillors. The Committee meets at least four times a year with special meetings and workshops arranged as necessary.

Member representatives from the trades unions attend the Committee meetings as non-voting members. Their role is to represent the interests of their respective stakeholder bodies and to communicate with them on pension fund issues. The Camden website has a section on Committees and Governance.

The Pension Board operates independently of the Pension Committee and exists both to assist the Council in securing compliance with LGPS regulations, relevant legislation and requirements imposed by the Pensions Regulator and to secure the effective and efficient governance and administration of the LGPS for the Pension Fund.

EMPLOYING AUTHORITIES

Each employer receives a guide setting out their administrative responsibilities in relation to their employees who are members of the LGPS. Employer information is also available online at <https://pensionssharedservice.org.uk/employers/>

Employers Conference

A conference for employers is held once draft triennial valuation results are published. The conference provides a platform for employers to put questions directly to the actuaries in relation to their own results.

Accessibility

We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically. However, we will provide the communication in large print, Braille, or in another language on request.

APPENDIX 6 – RISK REGISTER

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
FINANCIAL RISKS										
1. Fund assets fail to deliver returns (in-line with the anticipated returns underpinning valuation of liabilities over the long-term)	<ul style="list-style-type: none"> • Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing • Analyse progress at triennial valuations and review Fund's Investment Strategy and Funding Strategy accordingly • Regularly benchmark assets to re-valued liabilities • The Fund has recently reviewed a number of key mandates including Diversified Growth Funds (July 2019) and Fixed Income mandates (February 2019) and changed a number of managers which should improve performance • The Fund has conducted a full asset liability Investment Strategy review and received this in July 2020 modelling how liabilities and asset classes impact on funding and Value at Risk. • Investment Strategy Review July 2020 of equity and non-equity portfolio reducing equity manager risk and equity risk and examining 	3	5	15	<ul style="list-style-type: none"> • Trim equity from 65% to 50% in line with July 2021 rebalancing reports • Invest in new Baillie Gifford DGF (diversified growth fund) • Invest in inflation plus fund • Add to index linked bonds 	3	4	12	Annually/ Quarterly	Pension Committee (PC)

	<p>new asset classes that link to inflation</p> <ul style="list-style-type: none"> Review of asset allocation with rebalancing plan after IDeA Substitution of funds and Barings redemption – July 2021 									
3. Inappropriate long-term investment strategy	<ul style="list-style-type: none"> Fund-specific benchmark, informed by Asset-Liability modelling Compliance with LGPS regulations including consultation and production of the Investment Strategy Statement The Investment strategy is reviewed at least every three years by Committee. This was last reviewed in July 2020 and included a full asset liability modelling study. The addition of the independent investment advisor gives the Fund better market insight and will shape the strategy with greater frequency via performance reports and market intelligence Review of Fund Benchmarks and Targets (September 2015) Member training on Liability Driven Investment linking investment strategy to maturity and liquidity considerations and growth assumptions in the triennial valuation 	3	5	15		3	5	15	Quarterly	PC
5. Pay and price inflation risk	<ul style="list-style-type: none"> The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases 	3	4	12	<ul style="list-style-type: none"> Future pay and price inflation assumptions to be 	3	4	12	Quarterly	PC

	<ul style="list-style-type: none"> • Maintain investment in index-linked bonds to help mitigate this risk. The recent rebalancing report identified that investment in gilts was only 2.3% and made recommendations to add £57m to this mandate to increase inflation protection. The recent addition of Infrastructure will also help to counteract inflationary pressures (February 2019). • Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees • The performance report covers movements in inflation. Recently the inflationary Pension Increase for the LGPS was agreed at 0.5% from April 2021 . The Bank of England expects inflation to remain around 2% in the medium to long term. The cash flow report also shows the impact of inflation on pension payments • The July 19 committee considered a report on salary growth and triennial valuation assumptions. . An updated analysis on these assumptions will be considered as part of the upcoming 2022 valuation process. • Monitor pay rises for all employers • Changes to employer rates between valuations could be implemented if necessary • Consider hedging strategies and put in place a flight path 			<p>considered as part of 2022 triennial valuation process</p> <ul style="list-style-type: none"> • Impact of RPI reform to be considered as part of 2022 triennial valuation process 				
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	<ul style="list-style-type: none"> • Impact of past pay rises has been identified for all employer’s deficits as part of the triennial valuation and will be identified again as part of the upcoming 2022 triennial valuation process • There is a potential impact of RPI reform on future assumed long-term inflation expectations (RPI is expected to align with CPIH from 2030 onwards). This impact will be considered as part of the 2022 triennial valuation process. 									
<p>2. Unacceptable level of investment risk (in asset allocation, use of financial instruments and leverage)</p>	<ul style="list-style-type: none"> • Agree and establish appropriate level of risk in a diversified strategy with the Investment Consultant • Ensure full understanding of nature of risk in each asset class • The Investment strategy is reviewed at least every three years by Committee (July 2020 and July 2021) • The Investment strategy is also reconsidered alongside the Council funding strategy at each actuarial valuation, to measure the risk of different strategies • The Independent Advisor completes due diligence on all current investment mandates • Officers and the Independent Advisor hold in-depth quarterly investment manager meetings with all managers to review risks, leverage and instruments used and report any concerns to Committee 	3	3	9		3	3	9	Annually	PC

	<ul style="list-style-type: none"> Private equity mandate appointed to and new Infrastructure mandate funded. This has reduced concentration risk Last Member training in June 2017 conducted by the Investment Consultant on nature of investments 									
7. Market failure risk (e.g. in the Eurozone)	<ul style="list-style-type: none"> Limit concentration of investment in any one specific market. The 2020 investment strategy review and July 2021 rebalancing reports looked at the allocation to equity and considered options to reduce reliance on these volatile assets Monitor markets constantly, and seek advice of managers, consultants and independent advisor (markets are also perceived as over-valued in the US and there is a threat of Emerging markets being dislocated by tapering in the US and growth concerns) Funding of private equity mandate further reducing concentration on UK passive equity as capital calls dilute exposure over time Diversification of UK passive holding into global passive holding – which occurred February to July with all UK assets transferring to the L&G Future World fund Fund manager controls on risk 	3	3	9	•	3	2	6	Ongoing	PC / Head of Treasury

<p>6. Investment vehicle is not understood</p>	<ul style="list-style-type: none"> Investment Consultant and Independent Advisor feed into decisions on new asset classes Member training (especially for the new asset class of private equity and infrastructure) Appropriate due diligence carried out during searches by Investment Consultant and lawyers The Fund has exited its hedge fund exposures Pension Committee to receive a briefing on progression of the London CIV 	3	3	9	<ul style="list-style-type: none"> Further Member training on private equity. We have the option to partner with other Funds in the Pension Shared Service and sign up to the Hyman's online training platform for Pension Committee, Local Pension Board Members and Officers 	2	3	6	Ongoing	PC / Head of Treasury
<p>13. Employer contribution rate increases (effect on service delivery including admitted /scheduled bodies)</p>	<ul style="list-style-type: none"> Stability mechanism for Council contribution rate, limiting increases from one year to the next. Based on Fund Actuary's modelling and in place for several valuations now Seek feedback from employers on scope to absorb short-term contribution rises Mitigate impact through measurement of added risk to the Fund of permitting reduced contributions and possible phasing in of contribution rises Consult employers on possibility of paying more (extra administration and higher regular contributions) to enable employer-specific investment strategies to give greater certainty of cost Employer register considered annually by Pension Committee 	3	2	6	<ul style="list-style-type: none"> New Funding Strategy Statement agreed in July 2021 allows for deferred debt agreements, exit credit policy and review of contributions between triennial contributions The departure of IDeA means employer risk is significantly reduced as they make up a large proportion of the liabilities excluding the Council 	3	1	3	Annually by PSC / Ongoing by officers	PC / Head of Treasury

	<ul style="list-style-type: none"> Continued dialogue between officers, actuary and employers to determine risk All employers have been visited within the last triennial valuation cycle 2019 triennial valuation approach allows measure of risks/probabilities associated with different contribution levels per employer. . This approach will continue for the 2022 triennial valuation. 									
<p>12. Investment manager under-performance (relative to target)</p>	<ul style="list-style-type: none"> See also item 30 Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. The Committee has demonstrated that it can identify poor performance and tackle this with the phased withdrawal from Fidelity and disinvestment from Aberdeen (PSC Sep 14) and more recently the exit from Brevan Howard and Insight. The Committee has also considered the performance of DGF managers and fixed income within the Fund during 2019. Any changes to investment process, philosophy, portfolio team are reported to Pension Committee Appointment of Independent Advisor to strengthen scrutiny in this area, and due diligence conducted by her on all managers. 	3	2	6	<ul style="list-style-type: none"> The Committee has had Harris' performance under close scrutiny but recently this manager has significantly improved The Fund will rebalance its overweight position to equity (65% to 50%) over the coming months which will reduce this risk The Fund has also monitored its absolute return bond manager (Insight) closely and taken a decision to replace them with the CIV's multi asset credit fund 	3	2	6	Quarterly	PC

	<ul style="list-style-type: none"> • Consideration of equity managers as part of the Investment Strategy review. • Report considered on appropriateness of targets taken in September 2015 • Investment Manager meetings are held regularly, open to Members as well as officers and significant actions are considered at Pension Committee 									
<p>9. Actuarial Risk (miscalculation of liabilities or inappropriate assumptions)</p>	<ul style="list-style-type: none"> • The Fund maintains close contact with its actuary • Advice is delivered via formal meetings involving elected members, and recorded properly • Advice is subject to professional requirements such as peer review • Technical Actuarial Standards in place, which in effect impose best practice requirements on actuarial advice • The Fund now has two experienced actuaries with Camden-specific knowledge (Douglas Green and Barry Dodds) advising its officers and Committee • Pension Committee receives reports on the review of two key assumptions in the Triennial Valuation on Salary growth and investment return expectations (July 2019). The same approach will be used as part of the upcoming 2022 triennial valuation. 	1	5	5	<ul style="list-style-type: none"> • The committee will review the funding progress since the 2019 triennial valuation mid term in November 2021 • Assumptions made about the future (financial and demographic) will be reassessed as part of the upcoming 2022 triennial valuation 	1	5	5	Ongoing	PC / Officers

	<ul style="list-style-type: none"> Fund actuary is accredited under the Institute and Faculty of Actuaries (IFoA) Quality Assurance Scheme, which requires external assessment and annual submissions to IfoA 									
51. Sub-funds of London CIV fail to perform	<ul style="list-style-type: none"> The London CIV is well resourced and has skilled and experienced staff who can exercise appropriate due diligence Pension Committee reviews investments with the CIV and progress at the CIV quarterly As the Fund moves more into CIV sub-funds this will become a bigger issue. The Fund should ensure that there is appropriate monitoring rigour at the CIV 	2	2	4	<ul style="list-style-type: none"> The CIV has evolved in to a more stable pool with appointment of key officers filled The CIV has worked through a live case study with a manager who was under review (CQS) and demonstrated how they can work towards a blended offer with a complimentary manager 	2	2	4		

					<ul style="list-style-type: none"> the CIV now holds quarterly meetings with independent advisers to provide an update on any performance issues in the underlying sub funds 					
10. Geographical/ Currency risk in investments	<ul style="list-style-type: none"> Limit concentration of investment in any one specific market through manager agreements Regular review of compliance with manager agreements Monitor markets constantly, and seek advice of managers, consultants and independent advisor The Fund considered the use of a strategic currency hedge to limit risk, agreeing to delegate to individual managers (March 15) Diversification of UK passive holding into Global passive holding (Sept and Nov 15) 	2	2	4	<ul style="list-style-type: none"> 		2	4	Ongoing	PC / Head of Treasury
15. Excessive fees paid to investment managers	<ul style="list-style-type: none"> Manager fees keenly negotiated at time of appointment to achieve best result for the Fund All Fund fees and expenses are reviewed regularly by officers Participation in London CIV to achieve economies of scale and ensure optimal fee structures Regularly benchmark fees (CEM) The Fund has exited Hedge Fund investments which have higher fees. It has also recently invested in CQS, a fixed income manager, in the CIV with lower fee structures. 	2	2	4	<ul style="list-style-type: none"> Ensure Fund Managers sign up to the Scheme Advisory Board's Code of Transparency. Baillie Gifford have already done so. Move to passive mandates where outperformance on active portfolio does not justify higher fees charged – the Investment Strategy in 2020 will examine this 	2	2	4	Ongoing	PC / Officers

<p>16. Asset manager or bank failure</p>	<ul style="list-style-type: none"> Detailed due diligence is carried out when new manager or custodian is appointed (financially and legally) In future this due diligence will be the responsibility of the London CIV with a wider resource base Financial stability of managers and custodian monitored by officers and Independent Advisor Investment Consultant has coverage of all investment managers Assets under management with all managers are monitored as dramatic falls are likely to place pressure on manager business models (PC Mar 16) 	1	4	4		1	4	4	Ongoing	Officers
<p>53. Fossil Fuel linked investments suffer losses due to stranded assets and reputational damage.</p>	<ul style="list-style-type: none"> Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports The Government's legislation to reduce carbon to net zero emissions has increased the pace of change The Fund has reduced its proportion of the Fund invested in fossil fuels over 7 years from 7.2% of the Fund in 2012 to 3% (July 2021). Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested ESG seminar for Members of the Committee (May 19) participation with LAPFF to engage with fossil fuel companies and 	3	2	6		3	2	6	Ongoing	PC/ Head of Treasury

	<p>boards and continue work in this area including 'aiming for A', strategic resilience resolutions, and managed decline of fossil fuel extraction</p> <ul style="list-style-type: none"> • continued engagement with Fund managers to ensure climate change and stranded asset issues are acknowledged and dealt with by boards. • Continued use of Voting policy to support strategic resilience resolutions (with LAPFF voting alerts) and appropriate measures with respect to climate change • The Fund conducts a carbon footprint to better understand its exposure to fossil fuels and will look to enhance this in future. • The Fund has developed an Investor Belief Statement in November 2019 • The Fund takes climate change seriously and uses all available opportunities to enhance its policy and practice in this area. Last year the Chair and Head of Treasury and Financial Services attended an industry wide roundtable with the DWP Minister to discuss progress. • The Fund monitors progress of companies within the portfolio to the • Task Force on Climate-related Financial Disclosures (TCFD) • The Fund has invested in a infrastructure manager with a minimum of 25% renewable energy investments (this was increased from 								
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	<p>20% after discussions with London Pension Funds)</p> <ul style="list-style-type: none"> • The Fund commissioned and received a report on climate change modelling from its actuary, in November 2019. An update to this modelling will be provided as part of the upcoming 2022 triennial valuation • Investment in Legal and General Future World Fund which has a lower carbon footprint • Agreement to move funds in the Baillie Gifford Fund to a variant which is Paris aligned and has a 43% lower carbon intensity than the current fund. 									
<p>8. Forced selling of assets in falling market due to cash flow requirements</p>	<ul style="list-style-type: none"> • Monitoring of cash flows and Fund maturity, and taking appropriate strategic action (as above) • Dividends can be used to fund benefit payments. • Additionally redeemable structures with most managers mean assets can be sold or units redeemed to fund benefits. • July 2020 Investment Strategy review used an Asset Liability modelling approach which will ensure assets are appropriate for liabilities (and hence cash flow) 	1	3	3	<ul style="list-style-type: none"> • Reviewed Fund's requirements in view of requirement to sell £190m to fund the IDeA substitution of Funds in the July 2021 committee 	1	2	2	Ongoing	PC / Officers

<p>17. Investment manager style drift</p>	<ul style="list-style-type: none"> Managers are monitored closely by officers and advisors, with quarterly investment reports and regular review meetings held and minuted Reasoning behind any proposed changes to investment approach are explained by the investment manager Committee has Investment Manager summaries which set out mandate key principles and provide triggers for review Minutes from recent Investment Manager meetings considered at next Pension Committee meeting The Fund has demonstrated how it reviews managers periodically removing Aberdeen's mandate. The Fund has now also terminated Insight's bond mandate. 	3	1	3		3	1	3	Ongoing	Officers / Advisers
<p>18. Fraud risk</p>	<ul style="list-style-type: none"> All investment managers required to submit audits on internal controls and summarised as part of the annual report to members Detailed due diligence is carried out when new managers are appointed (financially and legally) Audit of the fund is carried out by competent auditors Internal audit is carried out by competent auditors to review benefit fraud and operational risks Custodian has strong internal controls including reconciliation of asset values and performance 	1	3	3	<ul style="list-style-type: none"> Explore cyber-security risks with fund managers to ensure good safekeeping employer and systems are robust and protected from hacking especially those with a more quantitative nature. 	2	3	6	Ongoing	PC / Head of Treasury

	<ul style="list-style-type: none"> Managers able to give complete look through into underlying assets Assets held in segregated accounts where possible Investment Consultant has coverage of all investment managers 									
19. Custodian Risk - creditworthiness, ability to settle trades, provide secure safekeeping and accurate and timely reporting	<ul style="list-style-type: none"> Service Level Agreement in contract Review of custodian Key Performance Indicators Regular officer meetings with custodian Future report to Pension Committee by custodian Future consideration of CIV Depository and role 	1	3	3	<ul style="list-style-type: none"> Assets managed directly by our custodian have reduced over the years (only with Harris and CBRE) with most other funds being pooled funds 	1	3	3	Ongoing	Officers
14. Investment counterparty risk (related to stock lending and use of derivatives)	<ul style="list-style-type: none"> Practice of stock lending and use of derivatives monitored by officers and Independent Advisor Investment Consultant has coverage of all investment managers Regular review of managers' due diligence processes at officer meetings 	1	2	2		1	2	2	Ongoing	PC / Officers
11. Illiquidity of assets - benefits cannot be paid and strategy changes become difficult	<ul style="list-style-type: none"> Periodic review of Fund assets with Investment Consultant, and officer due diligence on markets reviewed as part of the Investment Strategy review (July 2020) Maturity of Fund kept under review by Committee. (PC – March 2020). These considerations were also part of the Investment Strategy review in July 2020. 	1	2	2		1	2	2	Ongoing	PC / Head of Treasury

<p>20. Environmental, Social & Governance issues not addressed (and leading to loss on investments)</p>	<ul style="list-style-type: none"> • Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports • Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested • An Investment Consultant was recently appointed and the importance of Responsible Investment was highlighted and strengths established in order to support Pension Committee in this work. This has been further embedded in the recent Investment Strategy Review (July 2020) • SRI conference arranged for Members of the Committee (Dec 15) and ESG seminar (May 19) • Investor Belief Statement agreed (November 2019) • Officers, committee members and independent adviser proactively challenge managers on ESG issues at the quarterly fund manager meetings. 	1	2	2		1	2	2	Ongoing	PC / Officers
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DEMOGRAPHIC RISKS

<p>21. Deteriorating active membership (due to employer savings programmes)</p>	<ul style="list-style-type: none"> Monitoring scheme membership, and the effect on cash flows and Fund maturity, and taking appropriate strategic action. Administration reports received annually by Committee (July 2020) Impact identified by Hymans Robertson modelling as part of triennial 2019 valuation Past service adjustments (secondary contributions) paid as cash amounts instead of a percentage on employer rate (which would decline with declining membership) 	2	4	8	<ul style="list-style-type: none"> Further scenario testing through modelling of staff data Impact will again be identified by Hymans Robertson modelling as part of upcoming triennial valuation in 2022 	2	4	8	Quarterly	PC / Officers
<p>23. Longevity risk (pensioners living longer)</p>	<ul style="list-style-type: none"> The Fund actuary sets base mortality based on research carried out by Club Vita. The longevity assumptions are a bespoke set of 'VitaCurves' specifically tailored to fit the membership profile of the Fund and this has been reported as part of the triennial valuation (March 2020) Fund actuary sets mortality assumptions with some allowance for future increases in life expectancy Fund actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding 2019 valuation included assessment of the impact of mortality experience since 2016 amongst the Fund's membership 	2	5	10	<ul style="list-style-type: none"> Continue dialogue with employers Pension Committee to receive a report on mortality triennially Training for members by Club Vita (July 2020) on longevity issues Fund actuary will use latest Club Vita analysis during 2022 triennial valuation to determine appropriate longevity assumptions, including allowance for any emerging data on the long-term health impact of Covid-19 	2	5	10	Triennial	PC

	<ul style="list-style-type: none"> Administering Authority encourages any employers concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs 									
24. Substantial early retirements	<ul style="list-style-type: none"> Employers are charged the extra capital cost (strain cost) of non-ill-health retirements following each individual decision. The cash flow report shows that Strain costs have reduced over recent years. Strain cost factors were revisited following the 2019 valuation to ensure appropriate 	3	1	3	<ul style="list-style-type: none"> Strain cost factors to be revisited after each triennial valuation 	3	1	3	Annually	PC
22. Substantial ill-health retirements	<ul style="list-style-type: none"> Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built-in. Employers informed of ill health insurance option at Employer Forums 	1	2	2	<ul style="list-style-type: none"> The employer register will monitor this data and variances can be discussed with employers Individual employers can take out ill-health insurance to cover for strain costs. 	1	2	2	Annually	PC
REGULATORY RISKS										
26. Changes to regulations and legislation, (e.g. more favourable benefits package, potential new entrants to scheme, part-time employees)	<ul style="list-style-type: none"> Changes due imminently as a result of the McCloud and Goodwin cases: LGPS benefits to be improved (and backdated to 2014), with associated administrative and funding issues 	2	5	10	<ul style="list-style-type: none"> An allowance for the impact of the McCloud case will be made at the 2022 triennial valuation. The impact of the Goodwin case is expected to be minimal. Where the data is available, this will also be allowed for at the 2022 triennial valuation. 	2	5	10	Ongoing	PC

<p>25. National pension scheme changes (e.g. benefits, regulation from The Pensions Regulator, and/or HM Revenue & Customs rules)</p>	<ul style="list-style-type: none"> • The Fund is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself • Any changes to the regulations, scheme design and benefits package should be reported to Pension Committee • Scheme changes and benefits are communicated to members • Opt outs are monitored as part of the Cash Flow & Administration report • The result of the most recent reforms (2014 scheme) are built into each triennial valuation • Published new Investment Strategy Statement from 1 April and new regulation issued • New 2018 and 2020 regulations permit exiting employers to recover surpluses built up with the fund (previously known as trapped surpluses) and the Fund now has an Exit credit policy (July 2021) 	3	2	6		3	2	6	Ongoing	PC / Pensions Manager

GOVERNANCE RISKS

<p>50. Pool implementation – strategy deferral</p>	<ul style="list-style-type: none"> • Delay in implementing strategy due to inception of pools, on-boarding asset classes and availability of sub-funds. This Fund has demonstrated that this is not an obstacle with the award of the Private Equity mandate and removal of Aberdeen. We are also conducting an Investment Strategy Review currently. • Continued advice from Investment Consultant and Independent investment advisor • continued Membership (through the Sectoral Joint Committee) and officer engagement with London CIV to ensure they adhere to implementation schedule • Investment strategy review in 2020 	3	4	12	<ul style="list-style-type: none"> • There is no imminent property offer and the Fund will consider re investing with Partners in their 2021 Fund at the November committee 	2	4	8	Quarterly	Chair/ Officers
<p>27. Forced merger of LGPS funds</p>	<ul style="list-style-type: none"> • Participation in MHCLG consultations • On-going debate with advice from Pensions experts on a national basis 	2	5	10	<ul style="list-style-type: none"> • Ensure that Camden participate in any future consultation and raise concerns to the appropriate authority • All 8 pools have been approved and officers nationwide are working towards inception • Phase III of the Good Governance project will see the SAB consider how statutory guidance can be used to put the LGPS governance framework in place, and what KPIs can be 	2	5	10	TBC	PC / Officers

					<p>used to measure governance effectiveness.</p> <ul style="list-style-type: none"> The Fund continues to allocate to CIV funds where the investment objective can be met – i.e. the CIV inflation plus fund - £95m and the Baillie Gifford DGF £95m also. 					
34. Maintaining adequate level of experience at officer level	<ul style="list-style-type: none"> Continued staff appraisal and development plan Effective personnel management and succession planning Independent investment advisor has run training sessions for staff new to the Pension Fund area 	2	4	8	<ul style="list-style-type: none"> Ensure officers continue to undergo relevant training Consideration of joining the Hymans LGPS Online Learning Academy 	2	4	8	Ongoing	Officers
52. Risk of high transition costs of assets in pool	<ul style="list-style-type: none"> Discussion about Transition management with the London CIV 	3	2	6		3	2	6		
38. Undetected structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	<ul style="list-style-type: none"> The Actuary may be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations Deficit contributions are expressed as monetary amounts 	3	2	6	<ul style="list-style-type: none"> Considered by Actuary at triennial valuation and also as a result of officer liaison with employers The Fund has worked closely with the Improvement and Development Agency to facilitate its substitution of funds to Merseyside Fund 	3	2	6	Ongoing	Officers

<p>28. Knowledge and Understanding deficiency (Members and officers)</p>	<ul style="list-style-type: none"> • Ensure training opportunities are shared, attended and reported on (part of the quarterly Business Plan) • introductory training for all new members to PC to attend – delivered in June 2018 post municipal elections • Set up semi-annual member training for all Pension Committee • Ensure officers go on relevant training • Make sure independent is involved in training requirements 	2	3	6	<ul style="list-style-type: none"> • Complete CIPFA Knowledge & Skills framework for Members and officers, to assess any knowledge gaps • Under MiFID II Investment managers could take away our opted up status if new members are not adequately trained. A structured programme of training has been put in place for new members and the semi-annual training for members will continue. 	2	3	6	Ongoing	PC / Head of Treasury
<p>30. Employer risk (bankruptcy)</p>	<ul style="list-style-type: none"> • Seeking a funding guarantee from another scheme employer, or external body, where ever possible • Work done as part of the 2019 valuation results in alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice • Vetting prospective employers before admission • requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer fails • regular bond reviews • Annual review of the employer register (March 2020) • Dialogue with (potential) employers during the tender process and subsequently to ensure risks are understood and managed, such as at Employers Forum and meetings with employers to ensure they 	3	2	6	<ul style="list-style-type: none"> • Additional forward looking measures put in place in employer register received each November • Seek potential security from employers where restrictions on contribution affordability and/or higher perceived business risk • (see also item 13) • Make use of deferred debt agreements agreed as part of the revised Funding Strategy Statement and Exit Credit Policy (July 2021) 	3	2	6	Annually	PC

	<ul style="list-style-type: none"> understand their obligations , liabilities and funding position Engage with employers during the triennial valuation (Employer Forum run in October 2019) 									
32. Actuarial or investment advice is not sought, or is not heeded, or proves to be deficient in some way	<ul style="list-style-type: none"> The Administering Authority maintains close contact with its advisers and takes decisions in public – Part II agenda items are kept to an absolute minimum Advice is delivered via formal meetings involving elected members, and recorded properly Advice is subject to professional requirements such as peer review Members and officers with suitable skills, knowledge and understanding to discharge their roles 	1	5	5		1	5	5	Ongoing	PC / Officers
29. Forced disinvestment (from active managers and Fund of Fund vehicles)	<ul style="list-style-type: none"> MHCLG is not currently considering this possibility On-going debate with advice from Pensions experts on a national basis. 	2	2	4	<ul style="list-style-type: none"> Participate in consultation and raise concerns to the appropriate authority 	2	2	4	TBC	PC / Officers
31. Reputational risk from unaddressed ESG (Environmental, Social & Governance) issues	<ul style="list-style-type: none"> Membership of LAPFF providing active corporate engagement and championing of ESG issues Corporate Governance advisor, PIRC, provides company research and ensures Camden voting policy executed on shareholdings is best in class Members and officers aware of fiduciary responsibilities, acting in the long-term interest of the Fund and taxpayers 	2	2	4	<ul style="list-style-type: none"> engage with Divest Camden and other interested parties on the transition to the low carbon economy The independent advisor led training on the spectrum of capital in preparation for an item at Committee on agreeing an Investor belief statement (November 2019) 	2	2	4	Ongoing	PC / Officers

	<ul style="list-style-type: none"> become a signatory to the Stewardship code – awarded tier one status 									
33. Employer cessation not identified (due to closing to new entrants)	<ul style="list-style-type: none"> Employer Register is maintained and reviewed annually by Committee (each November) 	2	2	4	<ul style="list-style-type: none"> Continued dialogue with employers to ensure risks are understood and managed 	2	2	4	Ongoing	PC / Pensions Manager
35. Legislative risk - failure to comply with legislation, statutory regulation and formal guidance	<ul style="list-style-type: none"> Officers seek guidance and advice from independent sources as appropriate Advisers proactively raise issues and keep Officers aware of relevant issues Officers receive regular training and attend appropriate LGPS events 	1	4	4		1	4	4	Ongoing	Officers
36. Conflict of interests (elected members, officers and advisers)	<ul style="list-style-type: none"> Officers/ Committee seeks guidance and advice from independent sources as appropriate Officers and members receive regular training and attend LGPS events, at which conflict issues will be raised as appropriate Members are required to declare conflicts of interest at the start of meetings and at the point in a meeting when a conflict arises Pension Board have their own conflicts of interest policy Conflicts management plan in place with Hyman 	1	3	3	<ul style="list-style-type: none"> The Pensions Regulator's role in the LGPS include governance and conflict issues, and guidance and training will be forthcoming on these topics Requirements and/or best practice may change as a result of the Good Governance initiative in the LGPS 	1	3	3	Ongoing	PC / Officers

<p>37. Mandate burden - number of investment mandates inhibits Committee in its governance of investments</p>	<ul style="list-style-type: none"> • Performance and relevant information of investment mandates reported to Committee as part of quarterly Performance Report • Committee provides clear delegation to Executive Director Corporate Services as and when required • Officers and Members meet regularly with investment managers outside of Committee time and feed back minutes of meetings • Independent investment advisor conducts separate monitoring meetings with managers as appropriate • Investment managers to be brought to Committee or London CIV (where their sub-fund is used) for targeted discussion where appropriate 	2	1	2		2	1	2	Ongoing	PC / Officers
<p>39. Termination valuation not undertaken – missed opportunity to call in a debt.</p>	<ul style="list-style-type: none"> • Admission Bodies are required to notify the Administering authority of termination and it requires employers with Best Value contractors to inform it of forthcoming changes. 	2	1	2	<ul style="list-style-type: none"> • Regulations permit retrospective cessation valuation 	2	1	2	Ongoing	Officers
<p>40. Lack of delegation arrangements</p>	<ul style="list-style-type: none"> • Detailed scheme of delegation adopted for Council officers, and reviewed annually • Decisions to delegate specific activities from Committee to Executive Director Corporate Services agreed and documented at Committee meetings 	1	2	2		1	2	2	Ongoing / As Necessary	Officers / PC

ADMINISTRATION RISKS

44. Adequate level of administration officer knowledge and skills (Pension shared service)	<ul style="list-style-type: none"> Effective personnel management and succession planning Induction and knowledge sharing on local issues and requirements for new officers 	2	3	6	<ul style="list-style-type: none"> Ensure audit takes place post current restructure 	2	3	6	Ongoing	Pensions Manager
42. Changes to scheme members (starters, leavers, retirements etc.) are not processed properly	<ul style="list-style-type: none"> Scheme regulations are followed Pensions team are well trained Induction of new pensions administrators 	2	2	4	<ul style="list-style-type: none"> Actuary reviews application of scheme rules 	2	2	4	Ongoing	Pensions Manager
46. Data and records are not accurate or accessible during lockdown	<ul style="list-style-type: none"> Records have correct supporting documentation Input and output checks are performed Data matching exercises identify discrepancies (National Fraud Initiative) Reliance provided by internal audit The shared service have been fully operational during the COVID 19 pandemic and available to members and employers. 	2	2	4	<ul style="list-style-type: none"> Reconciliations are performed between payroll and pensions systems Data quality is of the highest order at the Pension Shared Service to ensure valuation results are as accurate as possible. Actuary reviews and reports as part of formal valuation Additional scrutiny from Government Actuary's Department , MHCLG, Scheme Advisory Board, and the Pension Regulator 	2	2	4	Ongoing	Pensions Manager
47. Employer Contributions not received or recorded properly	<ul style="list-style-type: none"> Pensions team dedicates appropriate time and resource to managing contributions Reconciliations are carried out monthly 	2	2	4		2	2	4	Monthly	Pensions Manager
41. Added complexity of scheme benefits (following introduction of LGPS 2014 impacting officer time and risk of miscalculation)	<ul style="list-style-type: none"> Scheme regulations are followed Pensions team are well trained 	1	3	3	<ul style="list-style-type: none"> Audit to be carried out to review compliance with new regulations Impending McCloud retrospective changes will make administration of the benefits more complex 	1	3	3	Ongoing	Pensions Manager

45. Systems are not secure and well maintained	<ul style="list-style-type: none"> Internal audit of system setup and security Systems administrator well trained Data is backed up daily System is protected from viruses and hacking System is up to date and latest features of the software are used Council clients the software provider and ensures issues are raised and addressed in latest releases 	1	3	3		1	3	3	Ongoing	Pensions Manager
43. Employers data inaccurate	<ul style="list-style-type: none"> Liaison with schools, Supporting People directorate and out-sourced payroll providers to ensure accurate and timely data is received 	3	1	3	<ul style="list-style-type: none"> Audit exercise planned to review outsourced school payroll data Introduction of i-connect employer module with Pension administration software at Pension Shared Service has improved data accuracy. All employers in the Camden Fund have gone live or engaging with the Shared Service to move to I Connect. 	3	1	3	Ongoing	Pensions Manager
48. Incorrect benefits paid	<ul style="list-style-type: none"> Pensions team are well trained Payments have correct supporting documentation Management check performed on benefit payments before processing 	1	2	2		1	2	2	Ongoing	Pensions Manager
49. Audit fail to undertake proper checks	<ul style="list-style-type: none"> Audit plan work to get reasonable expectation of detecting control weaknesses 	2	1	2		2	1	2	Annually	Pensions Manager