THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION COMMITTEE** held on **TUESDAY, 26TH NOVEMBER, 2019** at 6.30 pm in Committee Room 2, Crowndale Centre, 218 Eversholt Street, London, NW1 1BD

MEMBERS OF THE COMMITTEE PRESENT

Councillors Rishi Madlani (Chair), Heather Johnson, Abdul Quadir, Lorna Russell, Ranjit Singh and Shiva Tiwari

MEMBERS OF THE COMMITTEE ABSENT

Councillors Abdul Hai and Stephen Stark

TRADE UNION OBSERVERS PRESENT

Kathy Anifowose	- Camden UNISON
Sean Breslin	– Camden UNISON (substitute)
Naome Kyokushaba-Katsigazi	- Camden GMB
George Ekontang	– Camden GMB (substitute)

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

MINUTES

1. APOLOGIES

Apologies for absence were received from Councillors Hai and Stark.

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

There were no declarations.

3. DEPUTATIONS (IF ANY)

Deputations were received as follows:

(a) A deputation was received and noted from Nick Zinzan, on behalf of Divest Camden regarding Item 8, “Engagement Report”. A copy of the deputation statement was circulated at the meeting as attached at **APPENDIX A**.

In response to questions from Committee Members, Nick Zinzan and Finnian Murtagh said:

- There should be zero investment in fossil fuels within the next 5 years
- The Fund should divest from the top 200 fossil fuel companies
- Investment should be made in green energy to mitigate the climate emergency
- The financial argument for divesting from fossil fuels was strong, as oil and gas had performed worse than the MSCI index over the period 2010-2019 and that many industry commentators suggest that oil had peaked and was an industry in decline
- Regarding Committee Members’ concerns that the Pension Fund might not be fully funded if divestment from fossil fuels and the top 200 fossil fuel companies did take place, they were of the view that in order to protect return it would be better to take action now.

(b) A deputation was received and noted from Liz Wheatley, on behalf of UNISON regarding Climate emergency and divestment of the pension fund from fossil fuel investment. A copy of the deputation statement was circulated at the meeting as attached at **APPENDIX B**.

In response to questions from Committee Members, Liz Wheatley said:

- The Fund must aim at zero investment in fossil fuels in order to attain a zero carbon footprint or to get anywhere near to that target.
- The timeframe for this should be within 5 years given that they UNISON had a deputation 2 years previously to the Committee and, in her view, nothing much had happened since then.
- Instead of investing in fossil fuels the Fund should invest in renewable energy
- UNISON was currently carrying out consultation and a petition with its members and would share the results with the Committee when finalised.
- Regarding Committee Members’ concerns that the Pension Fund might not be fully funded if divestment from fossil fuels and the top 200 fossil fuel companies did take place, Unison was of the view that the UK had the 5th largest economy in the world and it was difficult to believe that the Pension Fund could not be sufficiently funded by alternative ethical investments like renewable energy.

Councillor Madlani invited Tessa Younger, from PIRC on behalf of LAPFF (the Local Authority Pension Fund Forum), to respond to some of the points raised by the deputations. She said that:

- The 2 degrees scenario had now been updated to net zero degrees.

- House builders were responsible for 40% of emissions.
- LAPFF engagement had been successful, and she stressed the importance of lobbying oil and gas companies to achieve the decarbonisation of the economy, for instance following months of engagement:
  - Centrica had divested from oil and gas and Shell aim to follow this target; and
  - National Grid would reach zero carbon by 2025

Councillor Madlani said that the Council had taken climate change forward and had adopted an active approach through LAPFF. It was continuing to reduce investment in fossil fuels and 5% of the fund was being invested in renewable energy. The Committee was undertaking a lot of work around climate change and drew the meeting's attention to items on the agenda, including Investor Belief Statement (item 7), Engagement Report (item 8), Carbon Footprint (item 9) and Climate Change Funding Impacts (item 10). He added that it was important to get the Pension Fund up to full funding otherwise austerity would become worse.

It was noted that the Council, at its meeting on 25th November 2019, agreed a motion regarding the climate and ecological emergency and fossil fuel investments, which it referred to the Pension Committee for attention. However, due to the timing of the two meetings it was not possible for officers to prepare a report for inclusion on the agenda, but the Committee was informed of the motion and that officers would be reporting to a future meeting.

ACTION BY: Executive Director Corporate Services

The deputations were thanked for attending the meeting.

4. ANNOUNCEMENTS (IF ANY)

Councillor Madlani thanked Councillor Lorna Russell for chairing the Investment Manager meeting with Harris on 20th November 2019 in his absence. He also thanked Councillors Johnson and Quadir for attending the meeting despite having other commitments.

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

There was no urgent business.

6. MINUTES

RESOLVED –

THAT the minutes of the meeting held on 12th September 2019 be approved and signed as a correct record.

7. INVESTOR BELIEF STATEMENT

Consideration was given to the report of the Executive Director Corporate Services, which summarised the outcome of the Investment Belief Statement workshop held on 2nd October. The workshop was led by the Fund's independent investment adviser, Karen Shackleton, was attended by Members of the Pension Committee, and supported by officers and the Fund's Investment Consultant, KPMG. It was noted that this report would be useful for the Fund to help frame its Responsible Investment focus and also some key tenets from an investment perspective.

The Committee noted that the workshop had prioritised the key United Nations Sustainable Development Goals (SDGs) as set out in paragraph 5 of the report, although recognised that they were all veritable objectives. The Fund considered the objectives in bold to be the most important within each category of ESG

If the Committee agreed these as priorities for the Investor Belief Statement, it was noted that it would be important to communicate these to the fund managers and advisers. It was highlighted that over the long term, investments which further the UN's SDGs would drive growth and benefit the Fund. Although the Fund was aware that climate change was both a risk and opportunity it recognised that there was a climate emergency and it needed to plan its work to ensure that managers and advisers recognised this and factored this in to investment planning. The Fund expected Investment managers to ensure that they selected investments that helped transition to the net-zero carbon economy and mitigated against the risk of stranded assets.

The Chair referred to paragraph 3.5 and the SDGs as prioritised by the workshop. He suggested that "Affordable and clean energy (SDG 7)" and "Sustainable cities (SDG 11)" should be moved to the "Environmental" category where he felt they would sit better.

In response to a question, Karen Shackleton said that it was important to examine the Fund's portfolio to see how it could be more effective in terms of aligning the Fund to the SDGs. Fund managers would also be written to on an annual basis regarding their carbon footprints. Engagement was important and the LAPFF produced regular reports on engagement to Committee meetings. The Chair reminded Committee Members that they were welcome to attend LAPFF meetings.

There was then some discussion regarding decarbonisation and divestment. Karen Shackleton explained that "decarbonising" meant that Funds still had some carbon related investments. She confirmed that no Fund had fully divested. Islington was decarbonising and was undertaking a full carbon footprint of the portfolio. They had set themselves some carbon goals and was looking at offsetting the carbon that remained by investing in environmentally friendly investments.

The meeting was reminded that Members and officers had a fiduciary duty to ensure that the Fund's investments received a good return and could not support investments that were detrimental to the Fund.

In response to a question regarding the Fund's exposure to the top 200 fossil fuel companies, it was noted that the Fund's equity managers would not invest in these. It was important to view over an economic cycle rather than annually and the Fund invested in value and growth rather than income. A whole range of industries were being looked at and investments in infrastructure were good opportunities for value, growth and tackling environmental concerns at the same time.

It was acknowledged that the MSCI carbon index was very good, but the Chair stressed that it was crucial that the Committee agreed the Investor Belief Statement first and then moved to the next stage from there.

RESOLVED –

(i) THAT the financial investor beliefs set out in paragraph 2.1 be adopted; and

(ii) THAT the responsible investment investor beliefs set out in paragraph 3.5 be adopted, subject to "Affordable and clean energy (SDG 7)" and "Sustainable cities (SDG 11)" being moved under the "Environmental" category.

ACTION BY: Executive Director Corporate Services

8. ENGAGEMENT REPORT

Consideration was given to the report of the Executive Director Corporate Services, which provided an update of the engagement activity undertaken by the Fund and on its behalf by LAPFF (the Local Authority Pension Fund Forum) since the last Committee meeting. This work was important to the Fund's ambition to be a fully engaged investor and demonstrated its commitment to Responsible Investment and engagement as a way to achieve its objectives. It also included updates on Modern slavery and Climate action 100+.

As mentioned at item 3, the Committee received and noted a deputation from Camden Divest in respect of this item.

It was noted that both the Councillor Madlani and the Head of Treasury and Financial Services had attended the last LAPFF meeting. The Chair said that it would be good to involve other Committee Members in LAPFF work and invited them to attend LAPFF meetings, even if it was just once a year.

The Committee was informed that the LAPFF conference would take place on 4th – 6th December and was an excellent way for Members to really understand LAPFF's important work in this area. Councillors Madlani, Johnson and Russell would be

attending and all other Committee Members were also welcome. Bookings would be arranged through the Treasury and Pensions officers.

Tessa Younger from PIRC (on behalf of LAPFF) was present at the meeting and summarised the main points in the report in respect of the work undertaken during the last quarter. The report also listed the engagement undertaken with a number of companies and those companies with which the Fund held interests in were included in table 1 (pages 85-87). The Committee welcomed the substantial improvement that Centrica plc and National Grid plc had shown with regard to climate change, but was concerned about those showing “no improvements”. Tessa Younger said that the strongest action aimed at changing this was voting alerts, attending AGMs and speaking to Board members.

The Chair thanked Tessa Younger for attending the meeting.

RESOLVED –

THAT the contents of the report be noted.

9. CARBON FOOTPRINT

Consideration was given to the report of the Executive Director Corporate Services, which provided an update on the Fund’s Carbon Footprint of its equity assets and also presented information on other asset classes.

This was the third year that the Fund had presented information on its carbon footprint. The report focussed particularly on equity manager footprints with all three scopes included and this year L&G had a footprint too. It also presented increasing detail from non-equity managers.

It was noted that climate change, and the required low-carbon transition, was one of the largest individual engagement streams that LAPFF dealt with. When engaging, LAPFF encouraged companies to transition in an orderly fashion to a low-carbon economy. LAPFF believed that companies had a unique role to play in addressing the challenges posed by climate change, not only because they were emitters of greenhouse gases, but also as they were providers of short and long-term solutions to decarbonise the economy and adapt to climate change. LAPFF recognised the issue of stranded assets and continued fossil fuel extraction as a collective investment risk for all asset owners and as an engagement and policy priority.

The Fund’s Investment Strategy Statement set out its policy on how social, environmental and corporate governance (ESG) considerations were taken into account in the selection, retention and realisation of investments. The statement also stated that the Pension Fund was bound by law in respect of Socially Responsible Investment (SRI) policy. The Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration was not prejudiced, Investment Managers were 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 Transition Pathway Initiative (TPI) assessed how companies were preparing for the transition to a low-carbon economy. It was established in 2017 and was led by asset owners and supported by asset managers. The first step was to evaluate the quality of companies' management of their carbon emissions and the risks and opportunities related to the low-carbon transition, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It then assessed how companies' planned or expected future carbon performance compares with international targets and national pledges made as part of the 2015 Paris Agreement on climate change.

The TPI initially looked at 274 companies within 14 high-impact sectors such as oil, gas, utilities, mining, cars, airlines, cement, steel, aluminium, paper, oil and gas distribution, services, consumer goods, basic materials and other industries. Most recently, the TPI had published reports on airlines' progress to decarbonise. The TPI categorised companies into one of five levels as set out below:

- Level 0 – Unaware of (or not acknowledging) climate change as a business issue
- Level 1 – Acknowledging climate change as a business issue
- Level 2 – Building capacity
- Level 3 – Integrated into operational decision-making
- Level 4 – Strategic assessment

Two of the Pension Fund managers, Aberdeen Standard Investments and Legal & General, were closely aligned to the Transition Pathway Initiative and enabled research behind reports by acting as Research Funding Partners.

A recent TPI report on the state of transitions showed that 30% of companies assessed were, or would be, aligned with the Paris pledges' benchmark in 2030. However, the report demonstrated that there were wide differences within sectors in how companies were responding to the climate emergency.

Carbon footprints were measured with reference to 3 scopes.

- Scope 1 - direct greenhouse gases (e.g. fuel combustion, company vehicles)
- Scope 2 - indirect greenhouse gases from the consumption of purchased electricity and other sources of energy
- Scope 3 - indirect emissions not directly owned or controlled by the organisation (e.g. travel to work, third party distribution and logistics, production of purchased goods etc)

Most companies only measured scope 1 and 2 carbon footprints. Data on scope 3 was only provided by fewer than 5% of companies. Scope 3 impacts were often between 2-5 times scope 1 and 2 impacts and could dramatically alter the carbon impact picture.

Carbon footprints were most commonly reported in the equity asset class. The report, however, contained information on each of the Fund's equity manager's carbon footprints. All three managers were in attendance at the Committee meeting to discuss their footprints and engagement throughout the year with underlying companies.

Bailie Gifford – Tom Wright, Director and Marianne Harper Gow, Director Governance and Sustainability Team and Harry Lamprinopoulos from London CIV (as this was a CIV Fund) were in attendance at the meeting. They summarised the main points in their report and answered questions as follows:

- Bailie Gifford was an active equity manager. As at 30 September 2019 the BG portfolio of £303m had a footprint of 26,543 tonnes (down from 29,053 tonnes last year). Their portfolio had a carbon intensity that was 37% lower than the benchmark.
- They were looking at which companies could provide returns over the next 5-10 years and beyond, and were just trying to find good companies that grew faster. There were no major oil companies and very few mining companies that met this.
- The reduction in the footprint had been due to their sales of Fiat Chrysler, AP Moller Maersk and Royal Caribbean Cruises, all of which were in the top 10 emitters last year. ESG issues played a small part in these decisions (Fiat relied on large SUVs in the US, cruise ships were not environmentally friendly), but there were other financial/business related issues too.
- BG's carbon footprint was 51.7% below the benchmark (39.6% below in 2018).
- The top 5 stocks contributing to the footprint were CRH (construction materials), Kirby (Marine transportation), Stericycle (medical waste), Apache (oil and gas exploration) and Ryanair (airline). They had engaged with all these companies and they mentioned that Ryanair's emissions had increased in line with their increased activity. They also hold Martin Marietta stock (an Aggregates and Heavy Building Materials company) and they would be meeting with their CEO soon.
- They had used the TCFD recommendations to looks at how performance would be in 2 degree, 3 degree and 4 degree scenarios. They had bought "Truecost" and "Four Twenty Seven" data providers to help. This was a three stage process:
  1. a data crunch = shows companies at risk.
  2. Stage 2 = 2 sense check.
  3. Stage 3 = 3 three companies that everyone agreed needed a value at risk assessment.

  This was forward looking research that would take time. It looked down the supply chain as well, could look on a like for like basis, to maintain the UNPRI basis.
- They were not a member of Climate Action 100, but they did hold Marton Marrietta, and would be meeting with the CEO.
- With regard to American deposit receipts (ADRs), 40% of the shares they manage were with ADRs and they were now able to vote with these.

- Alphabet owned Google, but they did not participate well in the engagement process which had not provided BG with confidence on further investment in their company.
- Tesla and Amazon were good at engagement.
- BG had previously divested and would be prepared to do so again if necessary.
- In response to a question as to whether the solution was to divest when oil and gas might be moving towards becoming greener, BG were of the view that it was necessary to look at individual companies to understand the trajectory of the business. Divestment might be the answer in some cases but it was also important to look at alternative and renewable energy sources being developed.

Harris – Will Fox Robinson, Director, UK Institutional Business and Head of LGPS, Harold Walkate, Natixis' Head of CSR and ESG, were in attendance. They summarised the main points in their report and answered questions as follows:

- Harris was an active equity value manager and was part of Natixis.
- As at 30 September 2019 the Harris portfolio was £256m and had a footprint of 61,900 tonnes (58,789 last year), which had slightly increased since last year. The largest contributors by far to emissions were LafargeHolcim (a building materials company – 69% of their footprint) and Glencore (a commodity company – 19% of their footprint) and together account for 88% of Harris' footprint.
- The top 5 stocks contributing to the footprint were LarfargeHolcim (cement manufacturer), Glencore (mining), General Motors (cars), Hilton (hotels) and Daimler.
- Of the 42 stocks in the Harris portfolio only 9 had levels under the TPI methodology. Seven of those 9 companies had the highest level 4 grade. No securities that were graded had the lower 0-2 levels.
- Harris had met with all companies with TPI grades during the year. Those meetings were with the most senior executives and they discussed material risks and opportunities to the sustainability of those businesses. Two examples of this engagement with companies contributing the most to Harris' footprint were Glencore (who agreed a coal production cap) and LaFargeHolcim (currently in carbon permit surplus, potential acquisition of an additive company to reduce their energy input, and the sale of emerging market assets that were industry leading on environmental factors but unprofitable).
- They said they should be 26% lower than the benchmark and officers were asked to check the discrepancy.
- In response to a question as to whether the solution was to divest when oil and gas might be moving towards becoming greener, their preference would be that investments should be wound down over the next 15-20 years and further analysis carried out. Overall they tended to favour engagement rather than divestment.

ACTION BY: Executive Director Corporate Services

The Chair was concerned that Harris was not aware of the TCFD industry standard and, therefore, did not provide the Committee with confidence as there was no assurance that ESG was embedded into its investment processes. Harris agreed to report back to Committee on TCFD next year.

ACTION BY: Executive Director Corporate Services

It was noted that Harris had met Glencore over 10 times in 12 month period, but there no data to demonstrate whether this had had an impact in reducing coal production or its carbon footprint. Officers were asked to take this up this with them.

ACTION BY: Executive Director Corporate Services

Harris did not believe that divestment was the solution but confirmed that they had divested from a UK supermarket chain. Karen Shackleton suggested that Harris was disinvesting rather than divesting due to climate change.

Councillor Madlani said that the Committee had not been assured by the performance of Harris and asked officers and the Independent Advisor to meet with them on a quarterly basis.

ACTION BY: Executive Director Corporate Services

Legal and General (L&G) – Iancu Daramus, Sustainability Analyst and James Sparshott, Head of Local Authorities were in attendance. They highlighted the main points in their report and answered questions as follows:

- L&G (passive equity and index linked gilts) had provided limited carbon footprint data (as contained in Appendix C). L&G's passive mandate tracked the benchmark and therefore held companies in the MSCI index in proportion to market capitalisation, so their carbon footprint data was expected to be exactly on benchmark
- L&G were members of the IIGCC (Institutional Investor Group on Climate Change), the UN Principles for Responsible Investment (PRI), Aldersgate Group and Climate Action 100+.
- L&G introduced their Climate impact pledge two years ago in order to use their rights as major shareholders to put pressure on companies to accelerate their transition to a low-carbon economy. They engaged with 84 of the world's largest companies, alongside analysing, scoring and ranking them against their peers to improve their strategies to address the climate challenge.
- As part of the process L&G committed to making public the names of some of the best and worst performers, alongside examples of best practices that they would like to see adopted more widely. They would vote against the chairs of boards and they would divest.
- L&G had chosen companies that, due to their scale and public profile, had the potential to influence entire industries and markets. The stocks covered

accounted for about half of the market value of six key sectors: oil and gas; mining; electric utilities; automakers; food retail; and financials. They were responding to L&G's demands and embracing the advantages of sustainability, which reinforced L&G's belief in the value of engagement.
- Since last year's pledge results, there has been an increase in the average scores across each of these sectors.
- L&G attended the PRI conference in Paris along with more than 1,500 responsible investment professionals.
- They had published a Climate Change Policy which set out their approach to engaging on public policy, engaging with individual companies and integrating climate change risks into their investment and product development.
- BP were aligning with the Paris Agreement for new projects and already had carbon reduction linked to their carbon footprint.
- They did not invest in projects which gave higher returns to shareholders than reinvestment.
- In response to a question as to whether the solution was to divest when oil and gas companies might be moving towards becoming greener, they said that demand for oil and gas would decrease and investments must be aligned to that gradual decline.

Councillor Madlani thanked all three managers for attending the meeting.

RESOLVED –

THAT the contents of the report be noted.

10. CLIMATE CHANGE FUNDING IMPACTS

Consideration was given to the report of the Executive Director Corporate Services, which presented the analysis of the Actuary on the Fund's liabilities and funding level for differing climate change scenarios and demonstrated the significant impact climate change could have on the Fund.

It was recognised that climate change was one of the biggest risks facing the world in environmental and financial terms. Governments across the globe were reacting to the climate crisis and the impact of global warming which would be felt in all regions and all climates.

The Fund's Actuary, Hymans Robertson, had offered the Fund some analysis and modelling based on different climate related scenarios which was set out in Appendix A. Barry Dodds, from Hymans Robertson, was in attendance at the meeting and summarised the main points in his report. He explained that the scenarios tested were:
- **Green Revolution**: Rapid policy response from government created the absolute necessity for change which was matched by the deployment of green technologies and ongoing investment in adaptation;

- **Challenging times**: Challenging times reflected delayed policy action. Change was likely to be intermittent at first but was assumed to become more severe in response to growing environmental feedbacks;
- **Head in the Sand**: Policy responses did not prioritise environmental change with corporates largely continuing business as usual type approaches.

The Committee noted that the results of the modelling showed that the “green revolution” gave the best result of the three modelled and gave an outcome similar to the results of the triennial valuation. “Challenging times” gave the second best result but with a volatile trajectory. “Head in the sand” gave the worst outcome with funding levels not reaching 100% funding over the 20 year time horizon modelled. The Hymans Robertson report stated that the Fund should not just focus on assets and how they might be impacted, but should also focus on impacts to the Fund’s liabilities, via inflation assumptions and life expectancies.

The Committee was of the view that it was helpful to look at climate change in the context of investment strategy and would asked that KPMG, the Fund’s investment advisors, also looked at the report.

ACTION BY: Executive Director Corporate Services

The Chair thanked Barry Dodds for the report and attending the meeting.

RESOLVED –

THAT the contents of the report be noted.

At this point in the proceedings the Committee noted that the meeting had lasted for nearly the maximum time of 3 hours and it, therefore, agreed to move standing orders to extend the meeting for a further 25 minutes in order to finish the business on the agenda.

11. PERFORMANCE REPORT

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

The Committee noted the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 30th September 2019 (quarter 3 of 2019).

The Committee noted in particular that

- The Fund portfolio had a market value of £1.786bn at 30th September 2019 compared with £1.752bn at 30th June 2019.
- Total fund liabilities were estimated to be £2.108bn as at 30th September 2019, with assets valued at £1.786bn giving a theoretical estimated funding

ratio of 86.4%. The last full valuation was carried out based on March 2019 data and reported to Committee in September 2019. This showed a dramatic improvement in funding from 76.2% to 102.5%.

- As at Q1 (2019), the Fund assets had outperformed long term target set at the triennial valuation in 2016 by 8.5% (£68m).
- The Fund had achieved performance of 1.9% during the quarter which was behind its target of 2.5%.

Committee Members noted Appendix A “Camden Client Ranking by Manager” which detailed Camden’s exposure as clients to the overall fund or strategy managed by each Investment Manager. In future, where Camden represented greater than 5% of the Investment manager’s fund and there was a material increase due to client outflows, this would be reported to Committee on an exceptions basis.

The Committee also noted Appendix B, which presented a more comprehensive overview of the financial markets by the Independent Investment Advisor and reported the performance of the individual Investment Managers in more detail. Karen Shackleton, Independent Investment Advisor highlighted the salient points as follows:

(a) **London CIV - Baillie Gifford -** This sub-fund delivered a return of +0.66% in Q3, underperforming Harris by -2.03%, and by -2.69% for 12 months to Q3 2019. They underperformed the Index by -2.74% for the quarter and by -1.54% for the 12 months. In terms of assets under management, the LCIV sub-fund stood at £2,705.2 million as at end September, an increase of £15.8 million since the previous quarter end. London Borough of Camden’s investment represented 11.2% of the Fund.

(b) **Harris** – Harris’ stock selection had a positive impact, contributing +0.24% to the relative return in Q3 2019, with sector selection was negative, contributing -0.68%. The past twelve months for Harris had, however, been challenging, with the fund trailing its target by -8.5%. As at quarter end, the fund had 48.04% allocated in Europe, 39.77% in the US, with the balance in Asia/emerging markets.

(c) **Insight -** The fund performed negatively in absolute terms (-0.47%), and in relative terms it underperformed three month LIBOR by -0.66% in Q3 2019 which led to it trailing its target by -1.6%.

(d) **Legal & General -** The observed tracking errors on the pooled index funds were within expected ranges during the quarter. There were no concerns.

(e) **CBRE** - As at quarter end the portfolio had 22 investments and leverage on the portfolio stood at 10.6% compared with 10.1% last quarter.

(f) **Partners -** The 2009 Fund had invested in a total of 61 investments, with 29 investments having now been realised. This Fund was fully invested, and Partners had called down 95.3% of committed capital. The manager has distributed 99.3% of the invested money since inception and was continuing to focus on exits and distributions as several investments in the portfolio moved into the realization phase of their lifespan. 4% of the investments were above expectations, 37% were meeting expectations, 43% were outperforming and 16% had issues.

The 2013 Fund had made 42 investments as at 30th September 2019, with 12 having been realised. The Fund was 84.4% invested and had distributed 59.7% (as a percentage of investment amount) since inception. 22% of the investments were above expectations, 56% were meeting expectations, 21% were outperforming, and 1% had some issues.
The pension fund had committed capital to Partners' Group's 2017 Fund. The Fund had drawn 37.1% of commitments as of quarter-end and had 31 investments.

(g) **Barings -** delivered a return of +1.6% performing better than Standard Life GARS (+1.3%) but behind Ruffer (+2.9%).

(h) **Standard Life GARS -** had a positive quarter, and delivered a return of +1.30% in Q3 2019, however it underperformed the benchmark which returned +1.43%.

(i) **London CIV - Ruffer -** the Fund delivered a return of +2.9% in Q3 2019. This mandate had been invested since 21st March 2018, and the fund had returned 2.31% since inception. As at the end of Q3 2019 the fund had a beta of just 0.4, so if the equity market increased by 10%, the fund would be expected to rise by 4.0%. The LCIV sub-fund was valued at £868.3 m as at end of September and London Borough of Camden's investment was equivalent to 6.85%.

(j) **Harbourvest –** Camden's pension fund had committed $86.3 million to HarbourVest's Global Fund 2016. Around 57% had been drawn down as at 30th September 2019. A total of $19.3m had been distributed back to investors (0.39x capital paid in). The manager expected to have 85% deployed over rhe next two years.

(k) **London CIV – CQS** - The Camden Pension Fund committed capital to CQS, a multi-asset credit fund, in May 2019. In Q3 the fund returned +0.6% which was behind target return of LIBOR +4.5% per annum. The value of fund's investment in CQS stood at £49.2 million as of end September 2019, which represented 5.8% of the sub-fund. The sub-fund had been put on watch by LCIV due to performance, strategy concerns and a high staff turnover, so the committee agreed at the last meeting to suspend further transfers until the situation had been clarified. Following further conversations with the London CIV, it seems that they are now exploring the possibility of adapting the sub-fund to a multi-manager mandate rather than a single-manager mandate, whilst still retaining CQS, at least for the time being. The London CIV was in dialogue with member funds and advisers around their preferences for the risk/return profile of this fund, prior to moving ahead with this change.

Despite having the Investment management meeting with Harris in November and listening to their presentation on Carbon Footprint (item 9), Committee Members still had some concerns over their performance and gender diversity. As mentioned at item 9, it had been agreed that quarterly meetings would be held with Harris to discuss these issues.

ACTION BY: Executive Director Corporate Services

RESOLVED –

THAT the contents of the report be noted.

12. LONDON COLLECTIVE INVESTMENT VEHICLE PROGRESS REPORT

Consideration was given to the report of the Executive Director Corporate Services, which provided a quarterly update on developments at the London Collective Investment Vehicle (CIV) in creating sub-funds for the spectrum of asset classes, on-boarding of assets and development of the CIV's staff resource. Progress with the London CIV contributed to the Government's pooling agenda and drive to reduce costs in the Local Government Pension Scheme (LGPS).

Harry Lamprinopoulos, Client Relations Manager, London CIV, was in attendance at the meeting. He informed the Committee that the CIV had appointed Kevin Corrigan as Interim Chief Investment Officer (CIO), who had been the CIO of Sandair where he managed the wealth for foundations and had previously worked at Goldmans. The Chair expressed concern that this was the 4th interim CIO appointment at CIV and would like to see clarity and stability in the near future.

TO NOTE: Executive Director Corporate Services

It was noted that on 16th October 2019, the CIV held an ESG (Environment, Social and Governance) and Responsible Investment seminar led by Dawn Turner (formerly CEO of the Brunel pool). This was well attended by officers and Committee Members and included sessions led by Dawn Turner, Rob Hall (Head of Equities), Michael Marshall (LGPS Central), Karen Shackleton (on behalf of Pensions for Purpose), Sacha Sadan (L&G) and Mike O'Donnell (CIV). The Committee noted that Dawn Turner was leading a review of the CIV's ESG capabilities and had surveyed all London Funds. The Fund would be finalising its response this week.

The Committee noted the Fund Launch Plan which was attached at Appendix B to the report. This was a Part II appendix, as it contained commercially sensitive and confidential information and was, therefore, not available to the public. Committee Members confirmed that they had read the appendix and would take it into account when making the decision.

At its meeting on 12th September 2019, the Committee had noted that the London CIV had placed CQS on watch last month due to concerns around key staff changes, underperformance and investment strategy. It was further noted that, given the CIV's concerns, the planned quarterly transition from Insight to CQS had been put on hold pending Committee scrutiny. In these circumstances, the Committee had agreed that a decision should be delayed until the end of October to enable CIV to continue to monitor and work with CQS. In the meantime, officers were asked to carry out a cost benefit analysis on whether or not the transition of funds from Insight to CQS should continue. Authority was delegated to the Executive Director Corporate Services to enable him to take this decision, in consultation with the Chair of the Pension Committee at the end of this period and when an update from the CIV and the results of the cost benefit analysis were available.

The Committee sought an update on the situation with CQS. It was noted that the Executive Director had not yet taken a decision regarding CQS. Harry Lamprinopoulos informed the Committee that the London CIV were keeping CQS on watch for a 6 month period. At the same time they were looking at the market to see if there was a similar alternative fund manager to fill this space. The London CIV would be holding a quarterly meeting with CQS and would provide a more specific update to officers and members immediately after that meeting.

It was proposed that the planned quarterly transition from Insight to CQS should continue to be put on hold pending scrutiny and to enable CIV to continue to monitor and meet with CQS. As previously agreed, authority would be delegated to the Executive Director Corporate Services to enable him to take this decision, in consultation with the Chair of the Pension Committee.

RESOLVED –

(i) THAT the contents of the report be noted;

(ii) THAT the planned quarterly transition from Insight to CQS continue to be put on hold pending scrutiny and to enable the London CIV to continue to monitor and meet with CQS; and

(iii) THAT, as previously agreed, authority be delegated to the Executive Director Corporate Services to enable him to take this decision, in consultation with the Chair of the Pension Committee.

ACTION BY: Executive Director Corporate Services

13. BUSINESS PLAN

Consideration was given to a report of the Executive Director Corporate Services, which set out items scheduled for future agendas of this Committee together with a record of training/meetings attended and a list of future training opportunities.

Committee Members were asked to inform the Head of Treasury and Financial Services if they wished to attend the meetings with Investment Managers or any training sessions.

TO NOTE: ALL

RESOLVED –

THAT the contents of the report be noted.

14. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no other urgent business.

The meeting ended at 9.48 pm.

CHAIR

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MINUTES END