THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION BOARD** held on **THURSDAY, 10TH OCTOBER, 2019** at 4.00 pm in Committee Room 3, Crowndale Centre, 218 Eversholt Street, London, NW1 1BD

MEMBERS OF THE BOARD PRESENT

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

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

MINUTES

1. APOLOGIES

The Chair opened the meeting and proposed, and the Pension Board agreed, that the meeting should be adjourned for 20 minutes to enable all relevant parties to be present.

The meeting reconvened at 4.20 p.m.

There were no apologies.

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

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

Steve Worrall, Employer representative, declared for the sake of transparency that he worked for Veolia which was an admitted body.

3. ANNOUNCEMENTS (IF ANY)

The Chair reminded Board Members that the next meeting would be held on Tuesday, 17th March 2020 at 4.00 p.m.

There were no other announcements.

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

There were no urgent items.

5. MINUTES

RESOLVED –

THAT the Part I minutes of the meeting held on 13th March 2019 be approved and signed as a correct record.

6. PENSION BOARD UPDATE REPORT

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

It was noted that the dates referred to in the summary of the report were incorrect and should read "18th July 2019 and 12th September 2019".

The Head of Treasury and Financial Services presented the report which summarised the items presented and decisions made at the Pension Committee meetings on 18th July 2019 and 12th September 2019.

With regard to paragraph 2.15 of the report, the Pension Board noted that Mark Thompson, who had recently been appointed as Chief Investment Officer (CIO) at the London CIV had left the position as he felt it was not appropriate for him.

The Chair referred to paragraph 3.17 of the report regarding the ESG report. He suggested that, given Councillor Rishi Madlani, Chair of the Pension Committee would be attendance, an item should be included on the agenda for the next Board meeting in March 2020, in respect of what was being done with regard to ESG and climate change issues. It was also suggested that the London CIV should be asked to request similar information from its member local authorities the results of which could also be fed back to the March Board meeting.

ACTION BY: Executive Director Corporate Services

The accountability of London CIV was also raised by Board Members, particularly its remoteness and lack of accessibility for the public. The Board agreed that this concern should be referred to the Pension Committee with the possibility of the Chair of the Pension Committee raising it with the London CIV.

With reference to paragraph 3.11, the Board noted that the London CIV had put CQS on watch last month due to concerns around staff key changes, underperformance and investment strategy. The Fund's independent consultant investigated these issues by first speaking to London CIV to better understand their concerns and subsequently to CQS. Whilst the change in leadership was generally concerning, the remainder of the concerns by London CIV were deemed to be a technical interpretation of regulation and/or a misunderstanding around investment process. Following these discussions, the independent advisor was of the view that these were unlikely to have a significant impact on the fund's performance. It was, therefore, likely that the situation with CQS was not as negative as the London CIV believed, but she recommended close monitoring over coming months.

At its meeting on 12th September 2019, the Pension Committee agreed that a decision should be delayed until the end of October to enable the London 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. It was also agreed that authority should be 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 London CIV and the results of the cost benefit analysis were available. The Pension Board asked to be kept informed on progress in respect of this issue.

ACTION BY: Executive Director Corporate Services

RESOLVED –

THAT the contents of the report be noted.

7. TRIENNIAL VALUATION ASSUMPTIONS

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

The Head of Treasury and Financial Services outlined the report which provided an update on the assumptions underpinning the triennial valuation for salary growth and the discount rate (asset outperformance assumption).

It was noted that the Fund's Actuary, Hymans Robertson had prepared two reports based on the salary increase assumption and the discount rate assumption, which were two of the most significant financial assumptions affecting the valuation. These were attached to the report as Appendices 1 and 2 respectively.

Based on the results of these exercises, the Executive Director Corporate Services agreed that the Fund should maintain its asset outperformance assumption of 1.6% above gilts. This was acceptable in all scenarios, albeit in the last scenario it narrowly missed the prudent level by 1%. It was noted that this alternative strategy had a 19.5% allocation to gilts and 16.5% allocation to fixed interest. Given the current 3% level of gilts and no fixed income assets this might not happen for quite a few years so the fund had time to adjust this margin if required in future valuations.

The Board noted that the Pension Committee had noted the contents of the report at its meeting on 18th July 2019.

It was also noted that Camden's Fund was one of the few funds which took decisions by Committee in public. Councillor Olszewski supported this and confirmed that he wanted the Pension Board to be as transparent as the Pension Committee when considering items.

The Chair asked what would be considered as significant in terms of the number of employers leaving the scheme. The Head of Treasury and Financial Services replied that the largest employer was IDEA which made up 10% of the Fund, and if they were to leave it would be a concern. Most of the other employers were small, and the concern with them was not about them leaving but about their financial viability.

RESOLVED –

THAT the contents of the report be noted.

8. DIVERSIFIED GROWTH FUND REVIEW

Consideration was given to the report of the Executive Director Corporate Services, which reviewed the Fund's Diversified Growth Funds (DGFs) and made recommendations about the future of these mandates.

Board Members were reminded that at the February Pension Committee meeting a strategic decision was taken to invest £80m in the London CIV's Infrastructure sub fund managed by StepStone. This report presented the work of the Investment Consultant, KPMG, which analysed the options for funding this mandate and also reviewed all three of the Fund's DGF managers.

The Pension Board noted that the KPMG report was split into two appendices. Appendix 1 presented the KPMGs Review of the DGF Portfolio and Appendix 2 contained details about individual fund managers and KPMG's judgements about each manager's capabilities, which was not available to the public (Part II). Board Members confirmed that they had read the appendix and would take it into account when taking its decision.

It was noted that the Pension Committee, at its meeting in July, agreed that:

1. The mandate with Standard Life would be terminated first to match funding requirements of the Infrastructure mandate;
2. The mandate with Ruffer would be terminated secondly to match funding requirements of the infrastructure mandate;
3. Any residual left with Ruffer would be used to over-allocate to the infrastructure mandate;
4. The mandate with Barings would be retained;

5. A further review of the London Collective Investment Vehicle's Diversified Growth Fund mandates would be undertaken when the next strategic review of the fund occurs in 2020;
6. The £18.6m prepayment of secondary contributions would be used to Fund the Multi Asset Credit fund with CQS (a CIV sub-fund).

It was noted that there would be no penalty to pay with regard to the termination of the mandates with Standard Life and Ruffer, but some costs would be incurred including a switching cost. The Board asked that an update on the disinvestments from Standard Life and Ruffer be submitted to its March 2020 meeting.

ACTION BY: Executive Director Corporate Services

RESOLVED -

THAT the contents of the report be noted.

9. EMPLOYER CONTRIBUTION STRATEGY

Consideration was given to a report of the Executive Director Corporate Services, which set out the contribution strategy for the Council as the major employer in the Pension Fund, amongst 26 other much smaller employers. At its September meeting, the Pension Committee considered the current stabilisation strategy that was applied to the Council and presented analysis from the Pension Fund's Actuary, Hymans Robertson, for four different contribution strategies to be applied from 1st April 2020.

It was noted that the Pension Committee agreed that the Council should continue to use the current stabilisation approach which limited contribution changes to +/- 1% of pay per annum and that contributions would increase by 1% of pay per annum for each of the next three financial years (2020/21 to 2022/23).

In response to a question, the Head of Treasury and Financial Services confirmed that the Council had made a pre-payment of £18m for 2019/20 and would consider a report in February regarding payments for the next 3 years.

The Pension Board noted that the Fund's Actuary, had provided an analysis, which discussed combined contribution rates that included the primary rate (for future service accrual and ignoring deficit recovery) and the secondary rate (for deficit recovery), which was attached at Appendix A 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. Board Members confirmed that they had read the appendix and would take it into account when making the decision.

RESOLVED –

THAT the contents of the report be noted.

10. TRIENNIAL VALUATION

Consideration was given to a report of the Executive Director Corporate Services, which presented the initial whole fund results of the triennial valuation from the Pension Fund's Actuary, Hymans Robertson.

The Board noted that Hymans Robertson had provided an initial valuation report of the Fund's assets and liabilities as at 31st March 2019, which was attached at Appendix A 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. Board Members confirmed that they had read the appendix and would take it into account when making the decision.

It was noted that the Pension Committee, at its meeting on 12th September 2019, had agreed the assumptions made as part of the initial valuation report and the that the report should be adopted for the purposes of the 2019 triennial valuation.

The Actuary would now proceed to assess each individual employer's contribution rates for the coming three financial years. In the coming months the actuary and officers would be meeting collectively and individually with employers to set out the results of the triennial valuation and what this means for each employer and their contribution rates. Once a set of final contribution rates had been agreed for all employers Hymans Robertson would issue a final valuation report with the official rates and adjustments certificate detailing individual employers' contributions. This must be issued by 31st March 2020.

RESOLVED –

THAT the contents of the report be noted.

11. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no urgent business.

12. LOCAL GOVERNMENT ACT 1972 - ACCESS TO INFORMATION

RESOLVED –

THAT the press and public be excluded from the proceedings of the Pension Board on 10th October 2019 during consideration of Items on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Specifically –

Publicity in respect of Item 13 would be likely to lead to the disclosure of information relating to the financial or business affairs of any particular person (including the authority holding that information) by virtue of Category 3 of Schedule 12A of the Local government Act 1972 (as amended).

13. MINUTES - PART II

RESOLVED –

THAT the Part II minutes of the meeting held on 13th March 2019 be approved and signed as a correct record.

The meeting ended at 5.15 pm.

CHAIR

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MINUTES END