**THE LONDON BOROUGH OF CAMDEN**

At a meeting of the **PENSION COMMITTEE** held on **WEDNESDAY, 28TH JULY, 2021** at 6.30 pm in The Council Chamber, Crowndale Centre, 218 Eversholt Street, London, NW1 1BD

**MEMBERS OF THE COMMITTEE PRESENT**

Councillors Rishi Madlani (Chair), Heather Johnson, Abdul Quadir, Stephen Stark and Shiva Tiwari

**MEMBERS OF THE COMMITTEE ABSENT**

Councillors Jenny Mulholland, Lorna Russell and Ranjit Singh

**TRADE UNION OBSERVERS PRESENT**

Kathy Anifowose – Camden UNISON

**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. GUIDANCE ON HYBRID MEETINGS**

**RESOLVED –**

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

**2. APOLOGIES**

Apologies for absence were received from Councillors Jenny Mulholland, Lorna Russell and Ranjit Singh.

**3. ELECTION OF VICE-CHAIR FOR THE 2021-2022 MUNICIPAL YEAR**

**RESOLVED -**

THAT Councillor Heather Johnson be elected as Vice-Chair of the Pension Committee for the 2021-2022 Municipal Year.

## 4. TERMS OF REFERENCE OF THE PENSION COMMITTEE

**RESOLVED –**

THAT the Terms of Reference of the Pension Committee be noted.

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

Councillor Johnson declared, for the sake of transparency, that she was a member of the Pension Fund.

## 6. DEPUTATIONS (IF ANY)

There were no deputations.

## 7. ANNOUNCEMENTS

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

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

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

There were no urgent items of business.

## 9. MINUTES

**RESOLVED –**

THAT the minutes of the meeting of the Pension Committee held on 2$^{nd}$ March 2021 be approved as a correct record.

## 10. 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 31 March 2021 (quarter 1 of 2021) and since manager inception.

The Committee noted in particular that:

- The portfolio had a market value of £2.095bn at 31 March 2021, compared with £2.031bn at 31 December 2020, an increase of 3.1%. However, this figure included the prepayment of secondary contributions by Camden Council, so excluding this, the overall return on the Fund's investments was 3.3%, which was still in excess of the composite target of 3.1%
- The Fund's equity allocations still remained above the strategic asset allocation levels, due to strong outperformance of equity markets over successive years. The high proportion of equities drove much of the volatility in overall returns. The Fund was outside the target ranges in all asset classes apart from property and private equity.
- The estimated funding ratio in March 2021 of 84% (£1.764m of liabilities) was based on the investment strategy returning in-line with the actuary's estimations for the coming years and decades. Long-term asset performance was, however, considerably above the actuary's historic expectations.
- The Fund had outperformed its composite target by 0.2% in Q1. This was far more than what the actuary assumed (4.5% per annum) at the last Triennial Valuation. Since inception, the Fund had returned 9.9%.

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 Investment Managers. Where Camden represented more than 5% of each 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 +2.2% in Q1, underperforming Harris by -7.9% for the quarter and by -8.1% for the 12-month period. However, Baillie Gifford outperformed its target over 12 months and continued to show long term outperformance. They had a very strong absolute return of +56.3%, although this followed the sharp sell-off in markets when the pandemic first began to have an impact in Q1 2020. Baillie Gifford's median gender pay gap across the firm was 16%. 28% of senior management were women, compared with 10% a decade ago. They were making a conscious effort to improve gender diversity although still had further to go. In

terms of assets under management, the LCIV sub-fund stood at £3,691.4 million as at end march, an increase of £79 million since the previous quarter end. London Borough of Camden's investment represented 11.69% of the fund.

b) **Harris –** Harris' stock selection had a significantly positive impact, increasing performance by +5.52%, also sector selection added +1.32% to the return relative to the index in Q1 2021. Most of the positive return from stock selection came from holdings in consumer discretionary, which added +2.61% to return for the past 12 months, Harris had outperformed its performance target by +21.3%.

c) **Insight** – The fund performed positively in absolute terms (+1.8%), and in relative terms it outperformed the benchmark by +0.8% in Q1 2021. Over three years, however, it continued to fail to meet its target of outperforming the benchmark by +4.0%. The fund was being disinvested gradually.

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** – This quarter showed a mixture of both positive and negative returns, although most were positive, Nuveen UK Shopping Centre produced the worst returns for Q1 at -21.9%, attributed by the manager to a change in the valuers' assumptions on income for two properties in Birmingham and Exeter, plus reduced rent collection on the underlying assets. The manager was negotiating a bridging loan and preferred equity from investors, to cover a forecast cashflow shortfall of £25 million. Meanwhile, the most positive returns for the quarter came from Aberdeen Standard UK Retail Park at +9.6%. Six funds contributed negative returns in Q4. As at quarter end the portfolio had 23 investments and leverage on the portfolio stood at 11.4%, the same as last quarter.

f) **Partners –** The 2009 Fund was fully distributed. Investments were doing well. 11% had issues. The 2013 Fund had made 42 investments and was 72% contributed and had distributed 54%. 19% had some issues. The 2017 Fund had drawn 50% of commitments as of quarter-end. They had outperformed by 2% and 53% were meeting expectations.

g) **Barings –** The fund delivered an absolute return of +0.1%, underperforming Ruffer and outperforming Standard Life in absolute terms. In Q1, GARS delivered a return of -1.7% and Ruffer +7.4%. Their exposure to equities had increased was 54%. The pension fund remained the largest investor and its investment now represented a fairly substantial proportion of the whole pooled fund.

h) **Aberdeen Standard Life –** Standard Life GARS had a negative quarter and delivered a return of -1.7% in Q1 2021, it also underperformed the performance target which returned +1.2%. The manager had asserted that they need 60% of their central return forecasts to be positive, in order to achieve their cash target of six-month LIBOR plus 5%. At present they were only achieving a success rate of 41% (in Q1, 16 strategies added value and 23 were neutral or detracted value). The expected volatility of GARS stood at 6.1%, which was 36% of the volatility of equities (16.9%), and within the normal range expected (the manager expects the volatility on GARS to be around one-third to one-half the volatility of equities).

i) **London CIV - Ruffer –** the fund delivered a return of +7.4% in Q1 2021. This mandate had now been invested since 21st March 2018, and the fund had returned +7.1% since inception. This quarter, the fund produced positive absolute and relative returns, outperforming the target by +6.6% in Q1. LCIV continued to monitor the manager's exposure to Bitcoin, which as at end of March 2021 was at approximately 1% of total portfolio value.

j) **HarbourVest –** Camden's Fund had committed $86.3 million to HarbourVest's Global Fund 2016. Around 71% had been drawn down as at 31st March 2021. A total of $33m had been distributed back to investors (0.54x capital paid in). 37% of the investments were above expectations, 51% were meeting expectations, and 12% were currently below expectations.

k) **London CIV – CQS** –The fund returned +2.1% which was above the target return of LIBOR (+1.1%). However, the one-year return for the fund was ahead the benchmark by +20.6%. The fund was still under enhanced monitoring.

l) **London CIV – Infrastructure Fund** – This had exposure to six primary funds at the moment and it was expected that they would have 80-100% primary funds. The deployment rate was the main concern which LCIV had said was lagging as a result of the Covid pandemic. It was, however, early days for that fund.

In future reports Karen Shackleton agreed would include comments on those managers whose performance she was happy with and where she saw improvements were needed. Subsequent reports should include whether or not those improvements had been made by the managers.

**ACTION BY: Executive Director Corporate Services**
**Karen Shackleton, Independent Advisor**

In response to a question Karen Shackleton said that it was unusual for an asset manager to invest in Bitcoin. A manager did have the discretion to invest but investments had to be done within the remit of its agreed mandate. She had been concerned about Ruffer's investment in Bitcoin and had raised it several times with London CIV. Ruffer had said that they were investing through One River so it was not a direct investment in Bitcoin which gave some protection. At a recent independent advisor meeting, a discussion was held regarding whether or not it was appropriate for such investments to be made for a pension fund and there was some concern expressed. She stressed, however, that it only made up only 1% of Ruffer's total portfolio and it had done well. It was being used as an inflation hedge. It was important to continue the dialogue with London CIV and to monitor this.

**ACTION BY: EXECUTIVE Director Corporate Services**

The Chair shared this concern although the Pension Fund's investment in Bitcoin amounted to 0.03%. He invited Patrick Race, Isio, to comment on this issue. Patrick Race said that he viewed Bitcoin as a very unusual investment for asset class pension schemes and even corporate funds which Isio were also involved with. It was not good from an ESG perspective which was one of the key reasons why

investment managers were currently steering away from it. From a return and volatility point of view it brought a lot of challenges. Mining Bitcoins was an energy intensive process and as soon it could be out of mainstream asset classes for pension schemes the better.

With regard to the performance of Camden's fund compared to other pension funds, it was noted that monitoring information was gained from a universe of local government pension schemes from PIRC. Performance might vary between deciles, and different funds had different funding levels, strategies and risks. It was noted that over 3 years the average fund delivered 7.6% and this fund actually delivered 8.6%

Councillor Madlani reminded Committee Members that they were welcome to attend meetings with Fund Managers to get a better understanding of the makeup of the Pension Fund.

**RESOLVED –**

THAT the contents of the report be noted.

## 11. MULTI ASSET CREDIT MANDATE

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

This report updated the Committee on developments with the Multi Asset Credit mandate held with the London Collective Investment Vehicle (LCIV). The LCIV had reviewed the incumbent manager, CQS, and decided to add an additional manager within the sub-fund to diversify risk and balance returns.

The Committee was reminded that the Fund appointed CQS, a sub fund in the LCIV, in May 2019 to manage a multi asset credit (MAC) portfolio currently valued at £51.8m. The LCIV raised concerns about CQS in 2019 regarding staff turnover, poor performance, and asset allocation and limited use of the spectrum of asset allocation available in their broad mandate. To achieve diversification, both at manager and strategy level, the LCIV implemented a mandate search with the aim of selecting a strategy that complimented the incumbent manager, CQS. This should result in the sub fund being able to better meet its objectives by investing in a broader set of credit asset classes overall. Along with strategy diversification, the LCIV had endeavoured to select a strategy that should result in increased fee savings for the client funds, as well as improved ESG credentials.

It was being proposed that PIMCO would work alongside CQS to create a blended fund. The pension fund currently had £52m in CQS and planned to move all of the assets with Insight, which amounted to £98m, into the LCIV MAC fund once it was satisfied that these issues had been resolved.

Patrick Race, Isio, then highlighted the main points in his review report as set out at Appendix A.

It was noted that out of the 10 managers, PIMCO's Diversified Income strategy ('the selected strategy') was chosen due to strong responses on qualitative and quantitative factors, along with strong returns, low volatility, and strong downside protection. The selected strategy complemented CQS's strategy in terms of historical asset allocation and return profile. Also, importantly the selected strategy had strong ESG credentials and the fees had been negotiated down. Rebalancing between the two funds would occur on a mechanistic basis, triggered by a 10% deviation from an initial 50:50 allocation. Subscriptions and redemptions would be done on the weightings of the previous trading/ net asset value date and inflows and outflows would also be used to rebalance the fund.

LCIV expected to launch the restructured LCIV MAC fund in Q3/Q4 2021. Once the fund had been launched, the Camden Fund would look to switch its existing investments in the current LCIV MAC Fund (CQS only) to the newly structure vehicle, invest the additional £80m to be funded from the return of capital currently held with Barings Diversified Growth, in the newly restructured fund and also restart the switch of assets from the Insight Absolute Return Bond Fund to LCIV.

Officers and the independent advisor were supportive of the recommendations in this report. It was understood that the vast majority of the 12 funds invested in the current LCIV MAC fund were happy with the proposal to add PIMCO as the second manager, which gave some certainty that the LCIV would be able to proceed with the new sub fund as envisaged, in terms of timing and investment size.

In response to questions, Patrick Race, Isio, said that despite the problems CQS had in the past with staff departures, it was felt important to have CQS in the portfolio because the portfolio manager stayed in place who Isio believed was a talented person to include. CQS stabilised the situation by making him an equity partner and had broadened their executive team. CQS invested in loans as part of a multi asset credit portfolio. PIMCO did not invest in loans at all. The balance, mix and diversification of the fund was worth retaining.

In terms of control, LCIV provide a layer of oversight and if a change was to be made it would come to Committee to make the decision as to whether or not Camden's Pension Fund would want to invest in it.

The Head of Treasury and Financial Services added that pre pooling, the Fund chose its own managers, but now the Fund was committed to the pooling agenda. 54% of assets were now under management within the pool. The Fund still had control over its capital. The Fund also had influence over LCIV as Committee members attended LCIV meetings and was a shareholder of LCIV so had an interest to help it succeed. The Fund also monitored LCIV through regular Committee reports.

The Committee noted that the report contained a Part II appendix. This restricted appendix contained additional information on the Multi Asset Credit review which

was not available to the public. Committee Members confirmed that they had read the appendix and would take it into account when making the decision.

**RESOLVED –**

(i) THAT the Fund's investment in the CIV Multi Asset Credit Fund with CQS be moved to a sub-fund which includes both CQS and a second manager, PIMCO; and

(ii) THAT all matters linked to this transfer be delegated to the Executive Director Corporate Services.

**ACTION BY: Executive Director Corporate Services.**

## 12. IMPROVEMENT AND DEVELOPMENT AGENCY SUBSTITUTION OF FUNDS AND BARINGS REDEMPTION REPORT

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

This report updated Committee on two key issues the Fund must negotiate.

Firstly, the substitution of funds between this Fund and the Merseyside Pension Fund for an employer in the Fund – the Improvement and Development Agency (IDeA). The Secretary of State for MHCLG (Ministry for Housing, Communities and Local Government) had agreed to this transfer of c£190m and all assets and liabilities relating to IDeA would transfer to the Merseyside Pension Fund shortly. This substitution was reported to the Pension Committee as part of the Employer report in March 2020. The Committee agreed to delegate authority to the Executive Director Corporate Services, in consultation with the Chair of Pension Committee, to agree the final terms of the substitution of funds for the Improvement and Development Agency. However, since then progress had not been as quick as anticipated and so no final authority was sought. IDeA had consulted their staff on the Substitution in June 2020, including discussion with union representatives, with no issues or queries raised.

The Fund's Investment Consultants, Isio, had done a piece of work on how to structure the assets to transfer and the shape of the fund post transfer to ensure the Fund was balanced and the remaining assets were appropriately structured to fit with the Fund's strategic asset allocation. The required amount to be transferred as part of the Substitution of Funds of £190m represents approximately 9% of the Fund's assets. Isio's report was attached at Appendix A and Hermione Rigg, Isio, was in attendance at the meeting and highlighted the main points in that review. In summary:

- The Fund was currently heavily overweight to equity having an actual 65% allocation compared to a strategic allocation of 50% and this presented a risk

given the relatively high risk profile of equities and bouts of volatility that they can be subjected to

- Within that 50% equity allocation the overall Fund allocation to equity managers should be Baillie Gifford 12.5%, Harris 7.5%, L&G ESG focussed fund (future world) 15% and L&G global 15%.
- This meant Baillie Gifford (active equity) was overweight by 8%, Harris (active equity also) was overweight by 7.8% and taken together (Global and Future World allocations) the passive equity run by Legal and General was broadly balanced.
- Isio recommended funding the £190m wholly from the overweight to Baillie Gifford given their strong outperformance to date, outlook for their mandate and heavy overweight. Baillie Gifford currently had Fund assets of £432m. The Harris overweight position would be dealt with in a separate report to Pension Committee.

The second key issue contained in the report related to the termination of the Barings Dynamic Asset allocation Fund and compulsory redemption. Barings wrote to all investors in April to notify them that they were closing their fund based on historic outflows and the fact that new investment was unlikely. Costs relating to termination had been bourne by Barings. The Fund's holding with Barings was valued at £142m as the end of June. Isio had looked at this and Appendix A also set out proposals to deal with the cash redeemed from Barings.

It was noted that the strategic asset allocation to credit in the Fund was 12%. Currently the Insight and CQS allocations amount to 7%. Adding £80m from the Barings redemption proceeds would take the total invested in credit to 12% and would, therefore, rebalance this asset allocation. The remainder of the redemption proceeds would be retained as cash (c£58m) and this was dealt with further as part of the Asset Allocation Rebalancing report on this agenda (Item 13).

Officers and the independent advisor were supportive of the recommendations to Fund the Substitution of Funds by reducing the overweight to Baillie Gifford by £190m and £80m of the redemption proceeds from Barings to bring the Credit asset allocation back to strategic benchmark. They would like to see the latter happen once the CIV has implemented its blended MAC sub-fund to ensure there was diversification. Merseyside Pension Fund had been consulted on the proposed course of action to fund the Substitution of Funds in specie and were happy for the entire amount to be reassigned in specie transfer. Merseyside would then restructure the holdings in their Fund.

The Pension Fund's Actuary, Hymans Robertson, had been consulted on the changes proposed in this report and the asset allocation rebalancing report and they had no immediate concerns with the proposed rebalanced strategy insofar as it impacts the funding target used by the Fund.

**RESOLVED –**

(i) THAT the Improvement and Development Agency proposed Substitution of Funds of £192m be funded by an in specie transfer from the overweight in Baillie Gifford to the Merseyside Pension Fund;

(ii) THAT the Fund tops up its allocation to Multi Asset Credit by investing a further £80m in the new CIV MAC fund once the blended product is available in September; and

(iii) THAT all matters relating to the above recommendations including timing and the final agreement to the terms of the Substitution of Funds be delegated to the Executive Director Corporate Services, in consultation with the Chair of the Pension Committee

**ACTION BY: Executive Director Corporate Services**

## 13. ASSET ALLOCATION REBALANCING REPORT

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

The Committee noted that this report followed on from the Improvement and Development Agency (IDeA) and Barings redemption report on the agenda at item 12, which discussed how to structure the assets for the £190m Substitution of Funds for the IDeA and the forced redemption of £142m of assets from Barings. That report made recommendations on funding the substitution of funds of c£192m (by reducing the overweight to Baillie Gifford) and allocating £80m of the Barings redemption to the Multi Asset Credit sub-fund the asset allocation. This would still be a significant overweight to equity (62% v 50%). Appendix A set out the work of the Fund's Investment Consultant, Isio, on rebalancing the asset allocation to better reflect the strategic review. The only other asset allocation that would be overweight post the IDeA and Barings events was Cash (+5% over).

Andrew Singh, Isio, highlighted the key points from their work in Appendix A. These included:

- Harris, the Fund's other active equity manager, was 9.4% (or £171m) overweight post IDeA and Barings events
- L&G was not significantly overweight and therefore considered to bebroadly balanced (+2.1% overweight)
- The Fund should maintain a 5% (or £95m) strategic allocation to a DGF and this would ensure equity like returns but offers diversification from equity, is less volatile and dynamic approach to asset allocation allowing tactical decision making.
- Of the four CIV DGF funds considered for investment only Baillie Gifford DGF was positively rated by Isio and satisfied the Fund's ESG requirements. Whilst this would also have an overlap with another Baillie Gifford mandate (the BG equity allocation) this was not considered to be a significant disadvantage given

the current allocation to BG of 21% (post rebalancing this would be 11.6% in the equity allocation and 5% in the DGF totalling 16.6%)

- It was recommended that the Harris overweight was used in part to Fund the new DGF allocation.
- Infrastructure investment has been slower than anticipated (currently £25m or 1%) in the CIV Infra sub-fund and is only expected to be fully invested by the end of 2023. In the interim the holdings in the Standard Life and Ruffer DGF should be held to fund this allocation until the Infrastructure mandate is fully called.
- There was underweight to the index-linked gilt (ILG) asset allocation. Currently £44m or 2% was invested in ILGs. The strategic asset allocation was 8% and so a top up to this allocation of £57m or 3% was recommended to go some way to repositioning this asset class and match inflation. Currently inflation was a major risk for Pension Funds globally after massive monetary action over the past decade by central banks and fiscal expansion during the pandemic and recovery, in the US and other advanced economies. Ensuring that the Fund had sufficient inflation protection should be a priority given the Funds liabilities are linked to inflation
- From an ESG perspective as Baillie Gifford and L&G rank above Harris in their approach to ESG, rebalancing away from Harris and towards Baillie Gifford is seen as a positive impact on our approach to ESG.

With reference to page 152 of the report, some Committee Members were concerned that although there were four options, only Baillie Gifford was rated, Ruffer, Newton and Pyrford had not been evaluated. They asked why Isio did not rate managers the Fund had investments in. Andrew Singh replied that they did monitor those funds closely from both an investment and ESG point of view, but had not formally rated them. Pat Race added that Isio had selected the best of the four managers. If a manager met the criteria for a client’s needs they would green rate them.

The Chair was concerned that it appeared from these papers that those managers had not been evaluated which was not the case, but the papers did not reflect that. He also suggested that Isio should look at the language used and make it more client friendly. It was noted that green rating was best in class and very difficult to achieve as standards were very high.

Officers were asked to discuss ratings with Isio and how they were presented in future reports.

**ACTION BY: Executive Director Corporate Services**

The Committee noted that additional information on the Asset Allocation rebalancing was provided in the restricted Appendix B. This was a Part II appendix, 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.

**RESOLVED –**

(i) THAT the overweight to Harris be reduced by redeeming £171m of assets with them;

(ii) THAT £95m be invested in the CIV Diversified Growth Fund with Baillie Gifford;

(iii) THAT £57m be invested in the L&G index linked gilts fund; and

(iv) THAT all matters in connection with the above be delegated to the Executive Director Corporate Services, in consultation with the Chair of the Pension Committee.

**ACTION BY: Executive Director Corporate Services**

## 14. BAILLIE GIFFORD PARIS ALIGNED FUND

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

The Committee considered whether the Fund should continue its investment in the CIV Sub Fund invested by Baillie Gifford or move to a Paris aligned sub fund with the same manager with a lower carbon footprint which excludes fossil fuel extraction companies and aligns to the Paris agreement.

The Fund's investment consultants, Isio, had reviewed the Paris-aligned Fund with a view to considering investment and their report was attached in Appendix A, the key points of which was highlighted by Patrick Race, Isio. The report covered the key investment characteristics of the original and Paris aligned Funds, a review of the ESG characteristics of the new fund, performance history and examination of differences in stock allocation and their recommendation on investment in the Paris-aligned fund.

It was noted that the current fund had 103 stocks in the portfolio, but applying the quantitative and qualitative screening questions would strip out 7 stocks in the Paris-aligned version (94% overlap).

Officers and the Independent Investment Adviser, Karen Shackleton, both concurred with the recommendations of the Isio work that the Fund should switch its investment from the current Baillie Gifford sub-fund to the Paris-aligned version.

The Committee noted that additional information on the Baillie Gifford Paris Aligned mandate was provided in the restricted Appendix B. This was a Part II appendix, 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.

**RESOLVED –**

(i) THAT our investment in the CIV Baillie Gifford (BG) Global alpha growth fund be moved to the Paris aligned sub fund; and

(ii) THAT all matters in connection with this transfer be delegated to the Executive Director Corporate Services, in consultation with the Chair of the Pension Committee

**ACTION BY: Executive Director Corporate Services**

## 15. FUNDING STRATEGY STATEMENT

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

This report set out revisions to the Funding Strategy Statement (FSS) which established how scheme employers in the Pension Fund were treated. It set out how employer liabilities are measured, the pace at which these liabilities were funded and how employers or pools within the Fund pay for their liabilities.

The Committee noted that the FSS was set out in Appendix A to the report and had been reviewed by the Fund's Actuary, Hymans Robertson.

Barry Dodds of Hymans Robertson was in attendance at the meeting and highlighted the main revisions:

- Under the Regulations the Fund might amend contribution rates (and, where relevant, security amounts) between valuations where there had been "significant change" to the liabilities or covenant of an employer. The Fund would need to consider a number of circumstances as a potential trigger for review, which were set out on page 218 of the report.
- The Administering Authority would also consider a request from any employer to review contributions where the employer had 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.
- On cessation, in the absence of a deferred debt arrangement, the Administering Authority could instruct the Fund actuary to carry out a cessation valuation to determine whether there was any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body. The Fund's normal policy was that this cessation debt was 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 might 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 reserved 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 Committee noted that the draft FSS was circulated to employers in the Fund for consultation on 5th July, but no comments had been received.

**RESOLVED –**

THAT the revised Funding Strategy Statement be agreed set out in Appendix A.

## 16. EXIT CREDIT POLICY

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

The Committee noted that the Local Government Pension Scheme (LGPS) was governed by regulations issued in 2013 and these were updated in 2020 regarding 'exit credits'. This allowed Funds to refund any surpluses built up by participating employers during their admission to our Pension Fund when leaving. Before it was only possible to recover deficits, but not to pay back surpluses when employers left or 'exited' Funds.

This policy linked to the Funding Strategy Statement also on this agenda and in particular section 3.3 on the different approaches used for different employers and note j on Admission Bodies exiting the Fund.

Previous regulations required the Fund actuary to determine the level of any exit credit due to an employer. The latest regulations required that whilst the actuary assesses the exit valuation the responsibility lies with the Fund to determine the value of the exit credit having considered various factors. The aim of this report is to put in place a policy for the Fund when dealing with Exit credits to aid the Fund in making these assessments in future and for transparency and consistency.

The Committee noted that Appendix A set out the Actuary's (Hymans Robertson) thinking and interpretation of the new regulations and further noted their recommendations contained on page 261. Barry Dodds of Hymans Robertson was in attendance at the meeting and highlighted the main points.

Some of the key features of the proposed new policy set out in Appendix A were:
- The Fund had six months to repay any exit credits to exiting employers (previously three months)
- Hymans recommended the maximum value of any exit credit paid was no more than the value assessed by the Actuary

- No exit credit was payable to admission bodies who use a ‘pass through’. This was where the employer pays a set rate and any differences due to future valuations fall to the Council to make good if an increase in rates
- For admission agreements starting prior to 14 May 2018 the exit credit was set to Nil
- The policy allowed ad hoc decisions on a case by case basis to allow the Fund discretion depending on specific employer circumstances

The draft Exit Credit Policy as set out in Appendix A was circulated to employers in the Fund for consultation on 6 July but no replied had been received.

**RESOLVED –**

THAT the Exit Credit Policy be agreed as set out in Appendix A.

**ACTION BY: Executive Director Corporate Services**.

## 17. ENGAGEMENT REPORT

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

The Committee noted an update of 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 demonstrates its commitment to Responsible Investment and engagement in Environmental, Social and Governance (ESG) issues as a way to achieve its objectives.

Councillor Madlani reminded Committee Members that they were welcome to attend LAPFF meetings. Officers agreed to circulate invitations to all Committee Members.

**ACTION BY: Executive Director Corporate Services**

It was noted that the LAPFF conference was due to be held in November/December 2021 in Bournemouth. Details would be circulated to Committee Members when confirmed.

**ACTION BY: Executive Director Corporate Services**

**RESOLVED –**

THAT the contents of this report be noted.

## 18. LONDON COLLECTIVE INVESTMENT VEHICLE PROGRESS REPORT

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

This report 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).

The Committee congratulated Councillor Madlani on being appointed as chair of the Shareholder Committee. He aimed to ensure that responsible investment was the core of its work. He added that he was pleased that two women had been appointed to the Board.

Following an open recruitment process, Mike Craston had been appointed as the new Chair to succeed Lord Bob Kerslake, whose terms comes to an end in September 2021. He would serve on the Remuneration and Nomination Committee, Shareholder Committee and may need to attend or serve on the Investment Oversight Committee or the Compliance Audit and Risk Committee. He was also expected to attend other reference and working groups from time to time, will chair key client fund meetings, meet with individual client funds and liaise with other key stakeholders.

The chair reminded Committee members that they could attend LCIV quarterly business meetings and asked officers to circulate dates for future meetings.

**ACTION BY: Executive Director Corporate Services**

Officers had also raised the issue that some meetings were held during the daytime when some members were unable to attend. They had requested that these meetings should be recorded to enable members to watch at a later date.

The way LCIV had approached Multi Asset Credit sub-fund had been exemplary, they had tried to take funds with them, had consulted us, asked for our views and the views of our independent advisors and investment consultants. Hopefully that was the model they would repeat again in the future. The chair said that he would feed that back to LCIV.

**RESOLVED –**

THAT the contents of the report be noted and any comments on progress be fed back to the Chair and officers.

**ACTION: All**

## 19. BUSINESS PLAN

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

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

It was noted that due to the large amount of business on the agenda for this meeting, the Cash flow and membership report, Risk Register, and LCIV Annual Review would be submitted to the September meeting.

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.

## 20. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was no urgent business.

The meeting ended at 9.22 pm.

**CHAIR**

**Contact Officer:** **Lorraine Jones**
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**MINUTES END**