THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION COMMITTEE** held on **MONDAY, 24TH JULY, 2023** at 6.30 pm in Committee Room 1, Town Hall, Judd Street, London WC1H 9JE

MEMBERS OF THE COMMITTEE PRESENT

Councillors Rishi Madlani (Chair), Heather Johnson (Vice-Chair), Matthew Kirk, Sylvia McNamara, Jenny Mulholland and James Slater

MEMBERS OF THE COMMITTEE ABSENT

Councillors Anna Burrage and Shiva Tiwari

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

MINUTES

1. APOLOGIES

Apologies for absence were received from Councillors Anna Burrage and Shiva Tiwari.

Apologies for lateness was received from Councillor Jenny Mulholland.

2. TERMS OF REFERENCE OF THE PENSION COMMITTEE

The Chair, Councillor Madlani, suggested that the Committee's terms of reference should be updated to include reference to its investment beliefs under the strategy as a guide to its approach to markets, asset allocation and investing in general. He asked that officers consider proposals as to how this could be included in the Committee's terms of reference. The Committee agreed to the Chair's suggestion.
ACTION BY: Legal officer / Executive Director Corporate Services

The Chair also informed the Committee that Trade Union Observers had been elected to the Committee, although they were not in attendance for this meeting, he welcomed Kathy Anifowose (Camden Unison) Jacqueline Wallace (Camden Unison substitute) and Errol Ghanie (Camden GMB) as the Committee Union Observers.

RESOLVED –

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

(ii) THAT the Terms of Reference be amended to reflect the Pension Committee's commitment to Investment Beliefs.

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

There were none.

4. DEPUTATIONS (IF ANY)

There were none.

5. ANNOUNCEMENTS

Broadcast of the meeting

The Chair announced that "In addition to the rights by law that the public and press had to record this meeting, he reminded everyone that the meeting was being broadcast live by the Council to the Internet and could be viewed on the Council's website for twelve months after the meeting. After that time, webcasts were archived and could be made available upon request.

If you were seated in the Committee room or participating via Teams, you were 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."

Committee Membership

The Chair welcomed Councillors Matthew Kirk and Sylvia McNamara as newly appointed members to the Committee and noted that Councillor Heather Johnson had been appointed by Council as Vice Chair of the Committee. He had also nominated Councillor Johnson to the executive of the Local Authority Pension Fund Forum (LAPFF), informing members that they were welcome to attend the LAPFF meetings which normally took place during the daytime.

Supplementary Agenda

The Chair informed members that the Supplementary Agenda related to item 8 Performance Report on the main agenda.

Table 7 on page 38 of the main agenda had been amended due to corrections to the benchmark figures for the L&G Future World Global Passive Index. The amendments were highlighted in yellow for ease of reference.

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

There were none.

7. MINUTES

RESOLVED –

THAT the minutes of the meeting of the Pension Committee held on 1st March 2023 be approved and signed as a correct record.

8. 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 2023.

The Committee noted in particular that:

- This was the quarter that the US Silicon Valley Bank (SVB) and Credit Suisse ran into difficulties causing a general fall in asset prices.
- Table 1 showed that while most markets had small positive returns in the quarter, however over the year many markets suffered losses including the FTSE all world, Asian and emerging market equities.
- Index linked guilt properties and commodities were significantly off coupled with rampant inflationary pressures.
- Table 2 showed the cash values and proportionate funds of all the Council mandates. The fund was now valued at £1.9bn which was slightly up on the quarter ending in December 2022.
- The allocation showed a familiar pattern with equity in total forming 56% of all assets.
- Table 3 showed Asset Class Allocations where weights were compared against target weights. All asset classes were within target weights.
- Table 6 tracked the funds performance against expected target rate and showed that the fund returns were still significantly above expectations.
- Table 7 showed that the return of the whole fund in the quarter was below 2.5% although this was positive, it was behind the target of 4.6%.
- Harris did well relative to the target this quarter which was + 2.8%. Baillie Gifford equity fell just half a percent short of the target.

- Baillie Gifford Diversified Growth Fund also performed better over the quarter +1.8%.
- All Legal & General equities had tracked their benchmarks in the quarter and seen a small growth in value overall.
- The property mandates, CBRE, Partners Group and Aviva all suffered heavy underperformance this quarter partly due to the way they were valued. Over the year the fund underperformed its target by -6.4% which was attributable to both the Baillie Gifford mandates, equity was behind by 5.8% while the Diversified Growth Fund was off by 2.3%.
- The Multi Asset credit mandate run by both CQS and Pimco London CIV fund was behind target by -11.4% in the year and Aviva by -30.9%. In the 2-year time frame the fund was up +1.7%, over the longer time frame on an absolute basis it was up by 10.6% over 3 years and 8.7% since inception. The fund was significantly up when compared to the actuarial expectations.

Karen Shackleton, Independent Investment Advisor, updated the Committee on the outstanding actions that were requested from her at the last Committee meeting informing members that:

In relation to requesting from CQS the 40% of companies that did not have carbonisation targets, CQS were compiling the list and would be sending this to her shortly. This would be sent to officers to circulate to members when it was received.

With regards to the query around Amazon stocks being both growth and value at the same time, this had been discussed with Baillie Gifford who had indicated that there was no reason why they could not be both. Baillie Gifford had provided a detailed response which could be circulated to members.

Responding to a question from the chair about whether the response from Baillie Gifford was satisfactory the Independent Advisor informed the Committee that it was a question of different time periods and Baillie Gifford would always indicate that it was a long-term position over 5 years.

In relation to the reason for the dramatic drop in the performance of Airport Industrial Sector fund. CBRE had indicated that this was due to the ongoing macro level economic volatility and market repricing. Further information had been provided which she indicated would be circulated to members.

The Independent Advisor highlighted the salient points from the Performance Report as follows:

London CIV - Baillie Gifford fund was a global equity strategy. She noted that in comparing Baillie Gifford with Harris they had different styles, while Harris was a value manager, Baillie Gifford was a growth manager. They would be expected to perform differently at different times. In this quarter Baillie Gifford delivered a return of 4.6%, underperforming Harris by 3% in the quarter and over 12 months trailing by 6.5%. It also underperformed the performance target over 12 months with an absolute return of -4.26%. She highlighted that there was an error on page 50 second paragraph of the agenda rather than versus target of 5.3% that should read +1.95% the relative difference rather than the absolute return.

Baillie Gifford attributed their positive performance in the Paris-Aligned fund during the quarter to Facebook, Tesla Inc and Microsoft. London CIV were still confident that they were going to perform well, maintaining overall monitoring at the normal monitoring level. The Independent Adviser informed members that she continued to have quarterly meetings with Baillie Gifford and was of the view that their investment thesis underpinning their holdings was solid. She also pointed out that Tim Gooding (Baillie Gifford Fund Manager) had advised that the portfolio had two times the market on forecast sales and three times forecast earnings which was the portfolio relative to the market and was optimistic about their group of growth stock compounders which were seeing structural growth.

In relation to carbon intensity, average carbon intensity was around 45% of the full market capital index. She noted that this was a Paris-Aligned Strategy which was good to see.

Harris – referring to chart 2 on page 52 it was noted that this showed the quarterly returns and Harris had done a little better. For the past two quarters there had been positive returns on the stock selection. In quarter 1, 3.6% was attributed to stock selection. Growth outperformed value in quarter 1 and the MSCI World Growth Index returned +14.86% whereas the MSCI World Value Index only delivered +0.24%. Harris outperformed value which meant that they had done better than the style index that matched most closely their strategy and also outperformed the whole market index.

The top contributor was sales force which added 1.3% which actually delivered a return of 46% in quarter 1. The Independent Adviser noted that Harris did better than expected in macro-economic conditions.

Legal & General – the Independent Advisor reported that they were the passive Global Fund Equity Manager as well as Guilts Manager and what was looked at was whether they were tracking their respective indices closely. This could be found in Table 2 page 53 of the agenda. The differences were expected to be very small with no more than 2.5% in any 1 year. She noted that the funding tracking the index was within the expected ranges, highlighting that there were no concerns.

She pointed out that one of the things checked was how the selective index compared to the full Global Market Cap Index, that had been seen to be underperforming because of the oil price/fossil fuel crisis. There had been a slight underperformance last quarter of the Sustainable Index against the Full Market Index due to the continuing impact of rising energy prices. There had been a bit of a reversal in quarter 1 with the sustainable index catching up.

CBRE – this quarter had seen more negative returns come through as a result of the property market cycle. Industrial Property and Airport Industrial Property had been hit hard in the past 6 months. She reported that the top performers for the quarter had been UBS Triton, Fiera Real Estate Opportunity Fund V and Fiera Real Estate Opportunity Fund IV. The returns for Industrial Property and Airport Industrial were positive in quarters 2 and 3 and then turned negative in quarters 4 and 1.

Partners – This was a Global Property Manager investing in 3 different funds. that Camden Pension Fund was invested in. They were close end funds with finite lives. The 2009 Fund had been fully invested and realizing investments, there were only 6 funds left to liquidate and only one of these was below plan.

The 2013 fund was in the later stages of value creation and starting to realise assets. There were quite a few funds in this particular fund that was below expectation. It was looking for partners to work with Managers to create value.

The 2017 Fund was still deploying capital. There were already 16 outperforming funds or above plan and 8 below plan. She advised that it was still early days for this fund. Only drawn 60% of the commitments and had 55 investments with 5 having been realised.

HarbourVest – This was a Global Private Equity Manager. This fund was now 77% drawn and it was getting there in terms of investment. She reported that having previously seen strong returns for Harbourvest, some of the underlaying funds were now being more challenged due to post pandemic and economic reasons. Currently 18% of their funds were below expectation and noted that she would be looking to see an improvement over the coming months.

London CIV - – The MAC fund (blended fund -CQS/Pimco) This she noted was a multi asset credit portfolio which was now blended across two managers CQS and Pimco. She reported that there had been poor performance on this fund. It was closer to target return in the latest quarter and ahead of target over 3 years. Financials had been problematic on the back of the Silicon Valley cascading effect which was a key detractor in quarter 1.

She also highlighted that London CIV was bringing forward a review of Pimco because the lead Manager of the fund had departed.

London CIV – Infrastructure Fund – Stepstone – These were investing in a range of Infrastructure Funds**.** Members were informed that the reports for this fund were delayed by 3 months because it was a private markets fund. As at December the fund was 65% deployed, there had not been any changes to the portfolio in quarter 4. She noted that progress had been good and Stepstone had indicated that there was an IRR for quarter 4 stood at 13.4% which was a good return. She reported that following a request by the Committee for updates on some of the underlaying funds, details of these were provided in the reports of Equifax and Brookfield.

London CIV – Real Estate Long Income Fund – Aviva – This was a property portfolio investing in long lease income type strategies which were very secure inflation linked income. These were aligned to the liabilities which were inflation linked. As of December 2022, they were 100% deployed so it was a strong position for the managers. The Independent Advisor informed members that this fund had been underperforming since inception. It was however still early days and performance would not be assessed on that mandate until the 4-year period was up in June 2024. It was therefore a longer-term strategy.

London CIV – Diversified Growth Fund – Baillie Gifford -This was a multi asset portfolio designed to diversify the equity risk in the total portfolio. She noted that there was a 2.2% return in quarter 1 which was ahead of target commenting that this was encouraging to see because there had been a series of performance issues. She also highlighted that London CIV had downgraded their status to enhanced monitoring in December 2022. There was an index review in June. Baillie Gifford had attributed the improved return in quarter 1 to China reopening in January combined with all asset classes performing well across the portfolio. The portfolio was now more resilient and defensive.

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

- With regard to the variations in the Partners Funds, these were to do with the different vintages of the funds which were at different stages. The 2009 fund was already invested and they would try to create the value from managing the underlaying assets and looking to realise those assets and return money to the investor. The 2013 fund was 72% invested so it was nearly fully invested. It was trying to create value through managing assets. The 2017 fund was the most recent and still drawing down. So, it was going through the J curve which meant it was being invested in and not returning that well. Then the asset was starting to be managed and you got the value out of that.

- With regard to the percentage of the fund invested in Facebook Tesla Inc and Microsoft, the Independent Adviser agreed to find out this information.
  Action By: Independent Advisor

RESOLVED –

THAT the contents of this report be noted.

9. RISK REGISTER

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

The Committee was informed that this:

- was a regular report considered once a year. It was best practice that the fund maintained and kept under review a risk register that identified key risks that the Pension Fund faced in achieving its objectives, similar to what all the big funds did.

- By considering risks and assessing their likelihood and impact the Fund could focus on what action was needed to manage them. The Fund's Independent Investment Adviser and Actuary had been consulted and had fed into the register.

- Appendix A to the report was the actual Risk Register. Amendments to the previous version of the Register were tracked in appendix A. Table 1 and paragraph 1.7 page 65 of the agenda shows how risks were measured, paragraph 1.6 rates the Red, Amber and Green (RAG).

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

- Risk 1 - Fund assets fail to deliver, the control measure had changed, it was noted that one of the real values of the Risk Register was that it allowed for further consideration to be given as to what needed to be tweaked, some of which were very operational.

- With regards to a question as to why the inflation risk had not moved, in discussion with the Actuary, they were of the view that the high spot on inflation had been reached and it was now coming back down. All liabilities were sterling dominated and were now on the downside. Inflation from the Pension Fund's point of view was viewed from the benefit side, as salaries were also inflationary and employees were contributing more into the fund.

The Chair also highlighted that the risk relating to knowledge and understanding of members could be reduced by encouraging members to take up the training available for members.

RESOLVED -

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

ACTION BY: Executive Director Corporate Services

10. INVESTMENT STRATEGY REVIEW

Consideration was given to the report of the Executive Director Corporate Services, which presented the results of a detailed review of the Fund's investment strategy.

The Committee noted that:

- The Investment Strategy was last reviewed in July 202 with an interim review being conducted in July 2021.
- The ISIO Investment Consultant led the Investment Strategy Review.
- Underpinning the Investment Strategy were the Investment Beliefs which were set out in section 2 of the report.
- The original beliefs (Table 1 of the report) were framed in November 2019 and were reviewed with the Independent Advisor in October 2022. They were produced from the United Nations Sustainable Development goals shown in Table 2 of which there were 17.
- Beliefs were grouped into 3 principal areas, Environment, Social and Governance with the headline goal in each one being the big ones.
- Table 3 sets out the goals in each which has the headline goals as Climate Action, Sustainable Cities and Communities, Good Health and Wealth Being and Inequalities.
- ISIO were asked to consider the investment strategy and the goals which underpinned it.
- The fund also had a number of financial beliefs which were set out in paragraph 2.9 of the report.
- Section 3 of the report provided a context of the where the Fund was situated in comparison to other Funds, there strategic asset allocation and context, with the benchmarking data used to produce this context.
- Section 3 also provided an update on the fund’s performance compared to the 63 other LGPS funds.
- Broadly showing that the fund had delivered average results in 2021/22 and 2022/23 with the volatility giving various results over different time frames.
- Section 4 of the report advises of the work ISIO had completed on the Investment Strategy Review.
- Equity risk and inflation risk were the largest risks to the fund and the proposal was to move away from equity and increase inflation protection and long lease property.
- The Committee recognised that the Fund’s asset allocation was one of the most important decisions it would make. It noted that performance analysis consistently showed that asset allocation was the main driver of Fund performance. Individual managers within each asset allocation were important, but not as important as the overall strategy and asset allocation. Furthermore, the fit and nature of asset classes was important for funds to ensure they had liquid assets to finance spend on benefits as they fell due.

The Chair informed new members of the Committee that a workshop on investment beliefs with the Committee had been conducted in the last year facilitated by the Independent Advisor.

Andrew Singh (Isio), Mark Irish (ESG Consultant) and Christopher Osbourne, Senior Portfolio Manager, London CIV were in attendance and talked about the ESG considerations, Affordable Housing new asset class and the proposed direction of travel informing the Committee that:

- The Executive Summary and key recommendations on page 115 of the agenda highlighted one of the most important pieces of work done on the strategic assets and analysed the key risks to the strategy.
- The current expected return of the Fund was 7.9% compared to the Actuary's required return of 6.1%. It also showed that based on December 2022 figures the funding level had improved from 113% at the last valuation (March 2022) to an estimated 139%. This was a significant improvement which the Fund would want to protect.
- The current asset allocation compared to the strategic asset allocation showed that equities were overweight by 5% and index-linked gilts were underweight by 4.5%. There was a smaller underweight to private equity of 2.2% and an overweight to cash of 3.5%.
- Value at Risk analysis had been conducted which showed the worst 1 in 20 downside scenarios. A familiar pattern compared to the last review showed that the two largest risks remain interest and inflation and equity risks. If these two risks could be minimised the whole fund risk was reduced.
- The key drivers for any future strategies that Isio suggested were to reduce the equity allocation and increase exposure to inflation linked assets to help manage the key risks mentioned above.
- In addition, the direction was to increase exposure to flexible mandates like multi-asset credit which provided a wider scope to perform well in the currently volatile market environment, and also to invest in affordable housing and infrastructure so increasing the Fund's focus on ESG impact.
- Appendix A also sets out four alternative Investment Strategies (current building blocks, high impact, innovative diversification and significantly lower risk). All four strategies offered similar returns (7.8% in the first three and 7.6% in the final strategy). However, in terms of reducing risk (VaR) the strategies offer varying degrees of de-risking.
- All offered good inflation linkage (upwards of 20%). Officers, the Independent Investment Adviser and Isio all agreed that the High Impact strategy should be recommended to the Committee as the preferred strategy to agree as the evolution of current Investment Strategy. This reduced equity by 10% relative to the current allocation - reducing exposure to the Fund's two active equity managers (Harris and Baillie Gifford). This would also reduce exposure to two managers who had struggled to meet their performance objectives over time. This move would also reduce the funds exposure to Harris which had a high carbon footprint and so would positively impact the Fund's footprint.
- The proposed investment strategy topped up the Multi asset credit mandate with the London CIV (managed by PIMCO and CQS) by 3%, reduced exposure to property (CBRE and Partners) and instead invests in Affordable Housing (5%) and adds to the infrastructure allocation (5%).
- The Appendix also sets out the expected high level ESG impact and fee implications of the proposed strategies.

- The Independent Investment Adviser had reviewed the Investment Strategy review and the investment thesis underpinning these asset allocation changes and was happy to endorse the recommendations in the report.
- The Fund's actuaries, Hymans Robertson, had also been consulted on the Investment Strategy Review and were comfortable that a move in investment allocation to the "High Impact" portfolio outlined in the report would still be in-line with their advice and expectations as per the 2022 actuarial valuation.
- Appendix A to the report and the results of the review on the equity portfolio were contained in Appendix B.

The following responses were provided to members questions.

- With regards to the funding position of 139%, this was a complicated area and a domain of the Actuary. The funding level related to the value of the assets divided by the present value of the liabilities. The Actuary produces a set of assumptions, the key assumption being the discount rate with the funding level reflecting how much assets were required to be held to pay those liabilities out in the future.

- In terms of whether alternative strategies were considered such as stabilising risk, looking at higher returns and reducing cost to employers, there were two broad options that could be taken. The first related to building a good surplus and protecting that surplus by reducing the risk which was the model adopted. Alternatively, a position could be adopted of pursuing the relatively high level of risk to build a bigger surplus and then consider the level of contribution required which was a decision and discussion for the Committee, this was however riskier.

- Paragraph 4 on pages 111 and 112 of the agenda sets out the proposals and the Actuary's comments. They had looked at the outcome of the strategy, they agreed with the proposed recommendations indicating that this was in line with their expectations. There was a certain level of return factored into their triennial evaluation and what the fund would achieve, anything done that moved significantly away from that would require another valuation.

- In terms of whether the right target had been set for the current investment strategy, the key thing to note was that it was a diversified strategy, diversified by asset class, by markets and by the managers so it was a well-balanced strategy. The current asset allocations as at December 2022 was slightly out of line from the target, it was noted that this was nothing to worry about as this not an unusual occurrence.

- In terms of whether the decision to increase the investment was subject to a price trigger, the implementation of a price trigger had not specifically been discussed. At the last strategy review in June 2020, the yield at that point was -2.5% and the trigger discussed at that point was -1.5%.

- There was a question about whether to just implement the allocation because the Pension Fund was content with that yield or alternatively to put triggers in place at a higher level to stage it in. Both options had their advantages.

- Invited to provide a view on the price trigger the Independent Adviser commented that she was supportive of the recommendation and was not that concerned about whether the allocation was implemented or triggers were put in place, remarking that what was more important was to get in at the right yield and this was the right time to be doing this.

- In terms of index linked gilts and implementing triggers to protect the fund from losing money in the future, index linked gilts were an attractive asset because there were not many other assets that had its characteristics, which linked payments to UK inflation. So, under any circumstances when purchased it would always be inflation linked.

- In relation to long lease and commercial properties whether any Global Environmental Real Estate Standard targets had been set, all of the managers would be using benchmarking like Global Environmental Real Estate Standards and considering them to validate the building environment. CBRE had done a lot of work on the economic impact on their properties.

- The Real Estate Long Income Fund (RELIF) had just submitted a Global Environment Real Estate Standard with regards to its properties, the result of which should be available shortly. As the RELIF was slightly nearer term fund, they did not have some of the legacy issues which would normally occur over the longer term because assets had only been acquired over the last two to three years.

- With regards to the other Fund managers and whether they had net zero targets, the funds had not been labelled an impact fund, and London CIV were waiting to receive more Financial Conduct Authority (FCA) guidance. There had been no specific targets set at their level, they were spending time understanding the impact credentials and impact objectives of the underlying managers that they were looking to select.

The Chair clarified that the above comments related to the LCIV Accommodation Fund, however at the Council level there was a net zero target at LCIV there was a net zero target to be achieved by 2040 and the next implementation stage of that was with the managers at the manager level. The Chair was of the view that the Pension Fund should consider what target to adopt and then consider how to engage with the Fund Managers to ensure this was delivered along with credible transition plans.

Commenting on the net zero targets the Independent Adviser informed the Committee that CBRE had indicated at a Pensions Committee meeting in 2021 that they send their managers questionnaires asking them about their net zero commitments. They indicated that they did not have targets, they however worked with their managers to get a target in place and they were quite focussed on net zero.

The Chair further clarified to members that the Committee was today looking to set the direction of travel across the various strategies and the percentages to be targeted, there would be a further discussion about the particular asset classes at a future meeting.

Answering further questions, the following responses were provided:

- With regards to the footnote on page 134 relating to the renewable energy focussed infrastructure, the reason that was included was from the implementation managers selection point of view it set out the guidelines to the strategies.

- With regards to whether Future World Fund had a net zero target, they did not have a steady target what they did have built into the portfolio construction was a year on year 7% decline in decarbonisation carbon emissions.

- In relation to private equity and why it was dropping, there was currently consultation going on in relation to whether LGPS funds should be more invested in private equity which would be concluded in October. Private equity could be rejigged following the outcome of the consultation, however at the moment the decision had been taken not to top up private equity and to leave it for a number of years.

- Co-investment related to getting more exposure to a particular transaction and would involve individual underwriting on the transaction.

- In relation to the affordable housing and whether it was going to the social housing provider, it was a mixture, sometimes the transaction for the deals would be 100% affordable housing. There would be an element of section 106 private developer and private builder who could only unlock the scheme if a proportion of affordable housing were built. The manager would acquire the section 106 component.

- The discretion as to influencing the amount of affordable housing provided would be with the Fund manager selected. This was a UK strategy and not a London strategy.

- London CIV were the only pool that were offering an affordable housing fund, one of the benefits of this was scale and with scale it entailed having more of a negotiating leverage which had been proven with the Octopus UK affordable housing fund where 20% had been negotiated off the headline management fee.

- A report on affordable housing and infrastructure would be presented to the Committee at a later date.

ACTION BY: Head of Treasury and Financial Services

- With regards to comparable figures of the General property Fund, the return assumptions for General Property and Asset classes were generally the same. It was a broad spectrum of asset class and typically the more social impact the less return there was on the other hand the less social impact the more return.

- In relation to comparison of the Commercial Industrial Portfolio, CBRE since inception in 2010 was 6.2%, although their target was 15%.

- Affordable Housing was a diversified risk and needed to be looked at like all other assets and funds in the context of the whole portfolio.

- With regards to having a matrix to value low risk this was available in other reports and could be provided.

ACTION BY: ISIO Consultant/ Senior Portfolio Manager, London CIV

The Chair suggested based on the practices of a large Pension Fund provider whether it was a similar possibility that Committee members could visit sites of the

Pension Fund assets. The Senior Portfolio Manager, London CIV indicated that this was possible.

ACTION BY: Head of Treasury and Financial Services/ Senior Portfolio Manager, London CIV

RESOLVED –

THAT the contents of this report be noted and the following be agreed:

1. The revised Investment Beliefs (Table 3) (and that these be sent to Asset Managers to ensure that they were happy to comply with these)
2. To change the target asset allocation to that recommended in the High Impact strategy (Appendix A) by (all percentages are proportions of overall Fund assets):
   a) reducing the equity allocation by 10% by decreasing assets with the active equity managers, Baillie Gifford and Harris,
   b) increasing investment in multi-asset credit by 3%
   c) increasing investment in index-linked gilts by 4%
   d) reducing investment in commercial property by 4%
   e) increasing investment in infrastructure by 5%
   f) adding a new asset allocation in affordable housing of 5% - (all subject to bring back papers on Infrastructure and Affordable Housing; and

- To Delegate all matters connected with the implementation of the above changes to the Executive Director Corporate Services, in consultation with the Chair of the Pension Committee
  ACTION BY: Executive Director Corporate Services

11. ENGAGEMENT

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

The Head of Treasury and Financial Services informed the Committee that this was a regular report presented to Committee Members updating them with engagement activity undertaken by the Fund and on its behalf by LAPFF (the Local Authority Pension Fund Forum). This work was important to the Fund's ambition to be a fully engaged investor and demonstrated its commitment to Responsible Investment and engagement in Environmental, Social and Governance (ESG) issues as a way to achieve its objectives**.**

He also highlighted that:

- There was a recent business meeting details of which would be reported to the Pensions Committee meeting in September.

- At the business meeting on 19th April 2023, items discussed included energy companies and the cost-of-living crisis, the work force disclosure initiative, the work plan and the quarterly engagement report.

- Table 3 showed the Pension Fund's equity holdings across all the companies that LAPFF engaged with. The largest holding engaged with was Amazon.

- Appendix A was LAPFF's quarterly engagement report and appendix B was the Pension Fund's voting policy.

- LAPFF held their media conference after their business meeting in July which he and the Vice Chair of the Pensions Committee attended.

- There were items on modern day slavery, linking climate Metrix to executive pay, litigation and the ESG backlash in the USA.

- There was an ongoing discussion with managers about modern day slavery and how they enforced this with investment companies. Details of this would be published on the Pension Fund's website.

- The Pension Committee would receive an agenda item in September on BHP investor litigation relating to fatalities caused by collapsing of a mine in Brazil.

The Vice Chair commenting on her role as the Committee's representative on LAPFF informed members that she had attended engagement meetings with Nestle and Adidas and it was a useful and important piece of work that was being carried out as shareholders also noting the difficult choices the Pension Committee was required to make regarding investment decisions. She also advised that the newsletters and information provided by PIRC Consultants was useful.

A member commenting on modern slavery informed the Committee that the Council earlier this year had past the charter against Modern Day Slavery which also talked about contractors and suppliers noting that it might be worth looking at that.

The Chair informed Committee members of the LAPFF engagement meetings encouraging them to attend at least one as it was useful information. The next meeting was scheduled for 4th October and was likely to be a hybrid meeting.

RESOLVED -

THAT the contents of the report be noted.

12. CIV 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).

It was noted that:

- The government had recently initiated consultation about LGPS and next steps on investment, views on asset pooling and levelling up and private equities. The government was keen to accelerate and expand pooling.

- As of 30 April 2023, the total assets deemed pooled by Client Funds stood at £26.7 billion, of which £13.0 billion were public markets (Authorised Contractual Scheme (ACS)) funds in Assets Under Management (AUM) managed by London CIV

- £12.4 billion in passive equity funds. £1.3 billion had been drawn in respect of Private Market funds, with a further £2.4 billion committed.

- 3 funds were undergoing **e**nhanced monitoring, LCIV Global Equity Focus Fund (Longview) had their next review in progress now. LCIV Global Total Return Fund (Pyrford) and LCIV Diversified Growth Fund (DGF) (Baillie Gifford) were also undergoing enhanced monitoring with their next reviews booked in for June 2023.

- The other 13 LCIV funds were undergoing normal Monitoring. 3 have had in-depth reviews completed, namely LCIV Alternative Credit Fund, LCIV MAC Fund, and LCIV Global Equity Fund. LCIV Global Alpha Growth Fund, LCIV Global Alpha Growth Paris Aligned Fund, and LCIV Passive Equity Progressive Paris Aligned Fund all had reviews pending.

Sylvia Martin, Calculations Manager London CIV attended the meeting and informed the Committee that:

- If new Committee members were interested in knowing more about the pool to get in touch with the Head of Treasury and Financial Services who could facilitate a visit to their officers where she was happy to host them to explain what they did.

- Further to the meeting with the Diversified Growth Fund Manager (Baillie Gifford) in June 2023, regarding the Diversified Growth Fund, there would be a report recommending that the Diversified Growth Strategy be kept under enhanced monitoring status.

- Investors would be invited to a due diligence webinar with the Fund Manager. After the webinar investors would be invited to share the findings of the fund monitoring and to explain how the Fund Manager was monitored against 8 different scoring criteria.

- Investment in the Infrastructure Fund. £106m had been committed to Infrastructure Fund in 2019, 65% of the commitment invested which was about £69m about 45% of this was already invested in renewable infrastructure.

- 96% of this investment was committed to underlying funds, Stepstone the manager appointed to do due diligence and allocate the assets was not doing all the work at the moment. Therefore a 35% reduced fee had been negotiated as a full service was not being provided. This would be reviewed every quarter. It was a rolling 12-month contract.

In relation to a committee member's question about Global Paris Aligned and whether Microsoft and Tesla Inc were one of the top contributors to performance, Microsoft was in the top 10 and was actually number 1 with 3.86%, Amazon 2.3% and Alphabet 2.2% while Tesla did not feature as one of the top 10 holdings of that fund.

Members were also informed of CIV conference scheduled to be held on 4th and 5th September 2023 in central London Trafalgar Square and were encouraged to attend. Invites had been sent to Pension Committee chairs, members wishing to attend should let the Head of Treasury and Financial Services know.

ACTION: all to note

The CIV Calculation Manager was thanked for attending the meeting.

RESOLVED –

THAT the contents of the report were noted.

13. BUSINESS PLAN

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

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

The Head of Treasury and Financial Services informed members that a number of items for the future work plan would come from the Investment Review Strategy such as, Affordable Housing and Infrastructure.

He reminded members that It was important that they prioritised training via the Hymans online portal. Informing members that other topics covered included Scheme governance, risk management, record keeping, annual benefit statements, reporting breaches, pensions dashboards, climate change, tPR codes of practice and enforcement, and equality and diversity.

Members noted that the CBRE and Partners Managers meeting was on 22nd February 2024 rather than 2023.

RESOLVED –

THAT the contents of the report be noted.

14. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

The meeting ended at 9.20 pm.

CHAIR

Contact Officer:	**Sola Odusina**
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MINUTES END