LONDON BOROUGH OF CAMDEN	**WARD:** All
REPORT TITLE: Pension Committee Update Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Board	**DATE:** 18 October 2023

SUMMARY OF REPORT:

The Pension Board has responsibility for assisting the Pension Committee in ensuring compliance with the Scheme Regulations, other legislation relating to governance and administration, and the requirements of the Pension Regulator. The Pension Board must also ensure the effective and efficient governance and administration of the scheme. This report summarises the items presented and decisions made at the Pension Committee meetings on 24 July 2023 and 20 September 2023.

Local Government Act 1972 – Access to Information
No documents required to be listed were used in the preparation of this report.

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RECOMMENDATIONS:

The Pension Board is requested to note the contents of this report.

Signed by

Director of Finance ………………**Agreed**…………………………………

Date ………………**09/10/2023**…………………………………

1. **INTRODUCTION**

1.1. The Pension Board has responsibility for assisting the Pension Committee (known as the 'Scheme Manager') to ensure the effective and efficient governance and administration of the scheme. The role is one of providing oversight of assurance in and governance of the scheme administration and not decision making.

1.2. This report aims to summarise the reports and decisions made at the preceding Pension Committee meetings. Individual reports and the web pages on which they are published can be accessed through the links included in this report.

2. **PENSION COMMITTEE 24 JULY 2023**

2.1. **Performance Report**

2.2 This report presented the performance of the Pension Fund investments up to 31 March 2023. The portfolio had a market value of £1.93bn at 31 March as shown in Table 1, which was an increase on 31 December, of 2.3%

TABLE 1: ASSET CLASS ALLOCATIONS

	Value £m	Current Weight	Target Weight
Baillie Gifford (LCIV)	£223	12%	
Harris	£180	9%	
L&G global passive	£401	21%	
L&G passive equities	£280	15%	
Equity	**£1,084**	**56%**	**50%**
CQS (LCIV)	£225	12%	
L&G Ind.Lkd Gilts	£70	4%	
Bonds	**£295**	**15%**	**20%**
CBRE	£86	4%	
Partners Group	£88	5%	
Aviva (LCIV)	£75	4%	
Property	**£249**	**13%**	**15%**
HarbourVest	£50	3%	
Private Equity	**£50**	**3%**	**5%**
Stepstone (LCIV)	£78	4%	
Infrastructure	**£78**	**4%**	**5%**
Baillie Gifford (LCIV)	£88	5%	
DGF	**£88**	**5%**	**5%**
Cash & other	**£83**	**4%**	**0%**
Fund	**£1,926**	**100%**	**100%**

2.3 The first quarter of 2023 started where 2022 ended, with changes in sentiment in the bond and equity markets linked to data on inflation and growth and expectations for interest rates. and rising fears of recession – similar to previous quarters. The latter half of the quarter was largely dominated by the crisis started by the Silicon Valley Bank (SVB) collapse which affected other US lenders and also Credit Suisse, causing a general fall in asset prices.

2.4 Among the sectors the fund is invested in, equities and bonds generally enjoyed a good growth during the quarter, but the ongoing war in Ukraine and tight monetary policy have continued to be a drag on overall growth. Inflation continued to decline (with the exception of the UK), employment data generally showed tight labour markets and Central Banks continued with their increases in rates.

2.5 Q1 2023 was a strong quarter for bonds and equities. Global equities rose sharply as investors embraced positive inflation data in the US. UK equities underperformed global equities but remained positive, driven by performance of energy and financial companies. Medium and longer term bond yields fell over the quarter resulting in positive performance , whilst short term yields rose following various interest rates increase by various central banks.

2.6 Real assets have increased in value after decreases in previous quarters. Property declined globally and commodities, such as gold and copper, increased as investors look for a safe haven amidst the banking turmoil. Energy prices have continued their falls over the quarter, although oil and gas have fallen on recessionary expectations. Nonetheless, the risks here are from potential volatility, and all the drivers of this, such as supply-side issues caused by war and inflation, remain.

2.7 Comparative benchmarking data from a universe of 63 local authority pension funds (valued at £250bn) indicates that average Local Government Pension Scheme (LGPS) fund return was 2.9% in the quarter. The Fund's returns were 2.5% for the quarter and so slightly underperformed this benchmark.

2.8 Over 12 months the PIRC universe was -3.3% with the Camden Fund delivering returns in-line with this of -3.4%. Over three years the comparison with the PIRC universe is positive with the Fund returning 10.6% and the PIRC universe 8.9%.

2.9 Examining the individual investment manager returns in Table 2, the Fund has underperformed its overall target by 0.9% in the quarter. The twelve-month figure however is of a -3.4% fall in value against a target of +2.8%. Mandates that negatively impacted on the one year performance are in particular the Baillie Gifford equity fund, CQS, Baillie Gifford DGF and Aviva RELI funds. Since inception the Fund has returned 8.7%.

2.10 The performance of the Fund is set out below:

TABLE 2: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	8.0	2.3	6.4	23.0	10.4
Global Equities (Gross) + 2.5%	5.2	1.6	8.4	18.9	13.6
Excess Return	**2.8**	**0.7**	**-2.0**	**4.1**	**-3.2**
Baillie Gifford (London CIV)	4.6	-4.3	-6.0	11.4	7.3
Global Equities (Gross) +2.5%	5.2	1.6	8.4	18.9	11.9
Excess Return	**-0.5**	**-5.8**	**-14.4**	**-7.6**	**-4.7**
L&G Future World global passive equity	4.9	-1.0	-	-	
Solactive L&G ESG Global Markets	4.9	-1.2	-	-	
Excess Return	**0.0**	**0.2**	**-**	**-**	
L&G global passive equity	4.4	-0.9	5.7	15.9	12.1
FTSE All-World + 0%	4.4	-0.9	5.7	16.0	12.1
Excess Return	**0.0**	**0.0**	**-0.0**	**-0.0**	**0.0**
CQS & PIMCO (LCIV)	2.1	-4.1	-1.0	7.1	1.1
3 Month SONIA +4.50%	2.1	7.3	6.0	5.6	5.5
Excess Return	**-0.0**	**-11.4**	**-7.1**	**1.5**	**-4.4**
L&G passive ILG	4.9	-30.4	-15.2	-9.7	4.5
FTSE > 5yr Index Linked Gilts + 0%	4.8	-30.8	-15.0	-9.6	4.3
Excess Return	**0.2**	**0.4**	**-0.2**	**-0.1**	**0.2**
CBRE	-7.8	-12.8	2.1	1.3	6.2
All Balanced Property Funds + 1%	0.0	-13.6	3.6	3.6	7.0
Excess Return	**-7.9**	**0.9**	**-1.5**	**-2.3**	**-0.8**
Partners 2009 Euro fund	3.5	14.0	8.3	5.2	7.7
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-0.1**	**-1.0**	**-6.7**	**-9.8**	**-7.3**
Partners 2013 USD fund	-10.3	11.3	9.0	2.6	11.9
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-13.9**	**-3.7**	**-6.0**	**-12.4**	**-3.1**
Partners 2017 USD fund	-7.3	20.1	85.0	11.8	9.3
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-10.9**	**5.1**	**70.0**	**-3.2**	**-5.7**
HarbourVest	-3.0	5.3	31.8	21.0	23.7
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	**-4.9**	**-2.7**	**23.8**	**13.0**	**15.8**
Stepstone (London CIV)	0.0	15.5	10.8	4.6	4.0
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	**-2.2**	**6.5**	**1.8**	**-4.4**	**-4.8**
Aviva (London CIV)	-6.4	-15.4	-	-	-14.1
RPI + 1.75%	2.3	15.5	-	-	14.3
Excess Return	**-8.8**	**-30.9**	**-**	**-**	**-28.4**
Baillie Gifford Diversified Growth Fund (LCIV)	2.2	-7.2	-	-	-7.2
SONIA +3.5%	0.4	13.0	-	-	5.8
Excess Return	**1.8**	**-20.3**	**-**	**-**	**-13.0**
Total Fund	**2.5**	**-3.4**	**1.7**	**10.6**	**8.7**
Total Fund Composite Target	**3.4**	**2.8**	**7.1**	**11.7**	**10.6**
Excess Return	**-0.9**	**-6.2**	**-5.5**	**-1.1**	**-1.9**

2.11 **Harris** has outperformed the target in this quarter, by +2.8%, and their one year return is also positive (+0.7%). Harris remain behind target since inception by -3.2%. Harris, as a value manager, outperformed other value stocks, quarterly performance was positively impacted by stock selection, and faired well against equities as a whole, give the overall outperformance of value stocks

2.12 **Baillie Gifford (CIV)** have underperformed the target over the quarter and the trailing year by -0.5% and -5.8% respectively, and since inception by -4.7%. The Baillie Gifford holdings now consist only of the **Global Alpha Growth Paris-Aligned Fund**. Baillie Gifford equities have underperformed Harris's value stocks over the quarter, and over the year, by +3.3% and +6.5% respectively. The top performing holdings that contributed most towards this quarter's positive returns for this fund were Facebook, Tesla Inc and Microsoft, while the largest detractors from returns came from Charles Schwab, Anthem Com and Alnylam Pharmaceuticals.

2.13 This is an LCIV sub -fund and following extended due diligence in Q3, they feel that there are signs of stabilisation, with a shift away from more volatile "disruptor" growth stocks into more stable "compounders". The overall monitoring status was maintained at 'normal monitoring' despite the poor 12 month returns. Baillie Gifford acknowledge that they had too greater focus on pre-profit technology firms. As a result, they have reduced their holdings in these companies, realising large losses but allowing them to bring in more diversification. Now, 40% of the portfolio is in 'compounder' companies, 30% in 'rapid growth' opportunities and 30% in 'capital allocators'. 90% of the portfolio is now in companies that are already profitable. In terms of 2023, the manager is excited by the opportunities in the market.

2.14 **Legal & General** equities have tracked their benchmarks in the quarter, and seen a small growth in value overall. The Future World global equity fund is a sustainable passive fund which is more closely aligned to the Pension Fund's investment beliefs. The Future World fund is benchmarked against the Solactive index and the underperformance can be attributed to the fund's lower exposure to energy and commodity firms, which have benefited from the recent rise in energy prices. This tracking error is within expected ranges.

2.15 **CQS & PIMCO (CIV)** tracked the benchmark over the quarter with significant under performance (-11.4%) over the year and are behind target by -4.4% since inception. LCIV commented that financials, particularly debt, were the key detractors in Q1 both due to direct exposure Credit Suisse bonds and to exposure to other European Banks. However, both investment managers still have confidence in the asset class and believe this is an isolated event

2.16 **CBRE** suffered large falls in the quarter and underperformed the target by -7.9% over the quarter but outperformed the target by +0.9% over one year. This quarter's performance has affected their long term results; they have now returned +6.2% per annum since inception, against a target of +7.0%. As anticipated earlier in the year, performance, especially in the industrial property sector, has fallen heavily. They are seeing markets in general becoming weaker but their short to medium term outlook is for a "repricing" in early 2023, with the outlook to 2027 remaining unchanged at 5.3% per annum.

2.17 **Partners Group** funds' performance deteriorated over Q4 2022, but it is important to bear in mind that these valuations lag by three months due to the nature of the fund of fund arrangement. Partners Group funds' performance is viewed individually for the three funds as follows:

i. The 2009 Euro fund has underperformed the target by -0.1% over Q4 2022, but remains -7.3% below its ambitious target since inception. This fund is fully invested. The fund is in its realisation stage and continued to be in receipt of proceeds from its underlying investments. The manager continues to "focus on exits and distributions as several investments in the portfolio move into the realization phase of their lifespan".

ii. The 2013 Dollar fund's performance has dropped in the Q4 2022 and now registers +11.3% over the past twelve months. Since inception, the fund has returned +11.9% per annum compared to its target of 15.0%. The fund continued to receive proceeds from its underlying investments.

iii. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -7.3%, -10.9% below the target for the quarter. Since inception, it has achieved +9.3% growth against an ambitious 15% target. This fund has now drawn 60% of its commitments, and it remains in its' "value-creation" stage.

2.18 **HarbourVest** also saw relatively small falls in value and underperformed its benchmark by -4.9% in Q1 2023, and have underperformed by -2.7% over one year. This is in line with the expected slow-down in private equity, after several quarters of strong results. As a proportion of committed investments, 82% of HarbourVest's investments are meeting or exceeding expectations, whereas 18% of them are below expectations. This is a decrease from 19% below expectations in the last quarter. Their valuations are also lagged by three months and so the full effects of the current macroeconomic situation are only just beginning to be seen on HarbourVest's holdings. Around 77% of the fund has been drawn down at the end of March 2023

2.19 **Stepstone (CIV)** had remained relatively flat (0.0%) over the quarter, -2.2% behind the target, but these figures also lag by three months, as is typically the case with private market investments. The fund was launched on 31 October 2019 and performance since inception is +4.0% compared to a target of +8.8%. the current IRR (internal rate of return) on the Stepstone portfolio is ahead of expectations. Looking to the future, infrastructure will be a key part of economic recovery plans, in line with the Fund's investment beliefs

2.20 **Aviva (CIV)** received initial investment from the Fund in December 2021. Performance over the quarter was a fall of -6.4%, heavily underperforming the target over twelve months by -30.9%. The Fund is a significant investor in this LCIV fund, making up over 44% of the funds deployed. This fund is now known as the Real Estate Long Income Fund, and invests in properties with long leases and strong tenants, with returns driven by the focus on secure, long-term, contractual inflation-linked cashflows. The manager has stated that there is a negative outlook for real estate owing to significant changes to the price of debt, and long income real estate assets have seen the most immediate consequences of this, given their correlation to the fixed income market

2.21 **Baillie Gifford Diversified Growth Fund (CIV)** returned results slightly ahead of the target for the quarter (+2.2% vs +0.4%.) This is the fourth full quarter of results for Camden's investment into this fund, following initial investment in March 2022, and performance since inception is -13.0% below target. Baillie Gifford have attributed this underperformance to the active equity, bond and property portfolios within their product which have underperformed the market. Over the next 18-24 months, Baillie Gifford expects growth to be slower, also expecting inflation to fall towards central bank targets.

FOSSIL FUEL EXPOSURE

2.22 All Investment managers were asked about the Fund's exposure to fossil fuels in general. The results for all our investment managers, at 31 March 2023.

2.23 In 2012 the Fund had 7.2% of its equity assets invested in fossil fuels. In the report to the March 2023 Committee the fossil fuel proportion of all assets was 2.30%, and has increased slightly to 2.37% as at 31 March 2023.

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2.24 The Committee noted the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 31 March 2023.

2.25 The Committee noted the report.

3 Risk Register

3.1. This report has been taken in full.

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3.2. 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.

3.3. 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.

3.4. 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.

3.5. 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.

3.6. The Committee agreed the risk register as set out in Appendix 1.

4 <u>Investment Strategy Review</u>

4.1 This report has been taken in full

<u>Minutes</u>

The following responses were provide to members questions:

4.2 Funding Position: The funding position of 139% was explained as a complex calculation involving the ratio of assets to the present value of liabilities. The Actuary plays a crucial role in determining this funding level, primarily influenced by the discount rate assumptions.

4.3 Alternative Investment Strategies: Two main strategies were considered – one focused on building a surplus and reducing risk to protect it, while the other involved pursuing higher risk to generate a larger surplus and deciding on contributions later. The former approach was adopted due to its lower risk profile.

4.4 Strategy Evaluation: The Actuary reviewed the proposed investment strategy and supported the recommendations, aligning with their expectations. Any significant deviation from their assumptions would require another valuation.

4.5 Target Investment Strategy: The current investment strategy was described as diversified across asset classes, markets, and managers, offering a well-balanced approach. Minor deviations from the target asset allocations were considered normal and not a cause for concern.

4.6 Price Triggers: The implementation of price triggers for investment decisions was discussed. It was mentioned that previous discussions had considered a trigger at -1.5% when the yield was -2.5%. The choice between implementing allocations immediately or using triggers at higher levels had advantages, and no specific decision had been reached.

4.7 Index Linked Gilts: These were seen as attractive assets because they were linked to UK inflation, providing protection against future losses.

4.8 Environmental Standards: Managers of long lease and commercial properties were using benchmarking, including Global Environmental Real Estate Standards, to validate their buildings' environmental performance.

4.9 Net Zero Targets: While the LCIV Accommodation Fund had not been labelled an impact fund, the Council level had a net zero target by 2040. The Committee discussed the need to set targets and engage with fund managers to ensure they were achieved.

4.10 Future Discussions: The meeting aimed to establish the direction for various investment strategies and target percentages. Detailed discussions about specific asset classes were planned for future meetings.

4.11 Further Clarifications: Additional responses clarified various points, including guidelines for renewable energy infrastructure, Future World Fund's decarbonization goals, the status of private equity investments, co-investments, and the allocation of affordable housing investments.

4.12 The minutes provided a comprehensive overview of the discussions and decisions made during the meeting.

4.13 <u>The Committee agreed the revised Investment Beliefs, the change to the target asset allocations in the High Impact strategy and to delegate all matters connected with the implementation to the Executive Director Corporate Services in consultation with the Chair of Pension Committee.</u>

5 Engagement Report

5.1 This report brings Members up to date with 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 is 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.

5.2 The Local Authority Pension Fund Forum (LAPFF) is a voluntary association of 87 local authority pension funds and six LGPS pools, with combined assets of over £350 billion. It exists to promote the investment interests of member funds, and to maximise their influence as shareholders to promote high standards of corporate governance and corporate responsibility amongst the companies in which they invest.

5.3 One significant concern raised is the lack of specific votes on companies' approaches to transitioning to net-zero emissions during Annual General Meetings (AGMs). LAPFF, alongside other organisations, requested companies to include such resolutions on AGM agendas. While some companies have committed to "Say on climate" votes, LAPFF continues to engage with firms to ensure shareholders can express their views on climate strategies, especially with the introduction of transition plans and the growing financial risks of climate change.

5.4 LAPFF engaged with various companies, including Rio Tinto, McDonald's, Constellation Brands, Volvo, BT, Vodafone, Kingfisher, and Chipotle, on issues like environmental risks, water stewardship, climate targets, and fair transition plans. LAPFF emphasised the importance of setting targets and policies to address environmental concerns.

5.5 The report also highlights LAPFF's efforts to engage with heavy goods vehicle (HGV) manufacturers to discuss their role in the transition to electric vehicles.

5.6 Regarding pay letters, LAPFF sought to understand how companies distribute capital and reward their executives and workforce. They engaged with companies like BT, Vodafone, and Kingfisher, which provided salary increases for their lowest-paid staff above inflation.

5.7 LAPFF remains concerned about investment risks associated with companies operating in the Occupied Palestinian Territories and has urged these companies to commission independent human rights risk impact assessments.

5.8 The report discusses LAPFF's engagement with companies like Nestlé, Amazon, Grupo Mexico, and others on various ESG-related issues, including climate, labour rights, and supply chain sustainability.

5.9 Additionally, LAPFF participates in the Workforce Disclosure Initiative (WDI), aimed at collecting and providing investors with workforce data to assess its impact on financial performance. LAPFF acknowledges the need to improve the completeness of data in the WDI database.

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5.10 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.

5.11 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 were useful.

5.12 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.

5.13 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.

5.14 The Committee noted the report

6 LCIV Report

6.1 This report provides 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 contributes to the Government's pooling agenda and drive to reduce costs in the Local Government Pension Scheme (LGPS).

6.2 As of 30 April 2023, the total assets deemed pooled by Client Funds stood at £26.7 billion, of which £13.0 billion are public markets (Authorised Contractual Scheme (ACS)) funds in Assets Under Management (AUM) managed by London CIV, and £12.4 billion in passive equity funds. £1.3 billion has been drawn in respect of Private Market funds, with a further £2.4 billion committed.

6.3 London CIV expected to achieve most objectives in their Medium Term Financial Strategy (MTFS). All 32 shareholders had given their agreement to the required changes to the Articles of Association (AA) and Shareholder Agreement (SHA).

6.4 All modifications to the LCIV Multi-Asset Credit (MAC) Fund and the LCIV Alternative Credit Fund were completed, with plans for LCIV Absolute Return Fund modification.

6.5 As of May 2023, there were no funds on the Watch list for LCIV. Three funds were undergoing Enhanced Monitoring, with LCIV Global Equity Focus Fund (Longview) having its next review in progress. LCIV Global Total Return Fund (Pyrford) and LCIV Diversified Growth Fund (DGF) (Baillie Gifford) were also undergoing enhanced monitoring, with their next reviews booked for June 2023. This was of particular interest to Camden, as they were invested in DGF.

6.6 The other 13 LCIV funds were undergoing Normal Monitoring. Three had 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.

6.7 Following the last Committee meeting, the CIV was contacted about the reasons why the Baillie Gifford Paris Aligned Fund was not on enhanced monitoring or watch. The CIV commented that their Red Amber Green (RAG) monitoring provided an independent assessment by the LCIV investment team of the expected future performance of funds and the underlying managers. It was focused on eight different factors, one of which was historic short/long-term performance, which unfortunately was not a very good predictor of future performance. The other seven factors included resourcing, ESG, risk management, investment process, business risk, investment cost, and liquidity, which they felt were better factors to engage with the underlying managers to improve performance in the future. The CIV was eager to differentiate between managers that were simply lucky and those that demonstrated genuine skill. These engagements with managers were shared with investors in group meetings and in the regular quarterly investment reports.

6.8 LCIV had three funds managed by Baillie Gifford: LCIV Global Alpha Growth Fund (GAGF), LCIV Global Alpha Growth Paris Aligned Fund (GAGPAF), and LCIV Diversified Growth Fund (DGF). Camden transitioned from GAGF to GAGPAF in Q3 2021, six months after the fund was opened. At an investment team deep dive in October 22, both funds were assessed and left on normal monitoring, though risk management and the value for money factors were both downgraded to amber. Performance as a factor had been on amber for the previous 12 months. The CIV said that since the October 22 meeting, both funds had outperformed the index and their investment objectives.

6.9 Camden had held the DGF fund for a number of years. LCIV downgraded the DGF fund with Baillie Gifford to enhanced monitoring in December 2022 and held an investor meeting on the 15 December where Rob Treich explained the reasoning.

6.10 LCIV Sustainable Equity Fund and LCIV Sustainable Equity Exclusion Fund had their score for performance downgraded to amber, and the trend in relative performance had been highlighted as poor. LCIV was concerned about the analytical errors made by the investment manager. These sub-funds remained on normal monitoring for now, and an in-depth review would be performed in June 2023.

6.11 LCIV Absolute Return Fund/Ruffer had its business risk score reduced to amber. The impact of changes in the ownership structure of the firm was being monitored by LCIV, and the sub-fund remained on normal monitoring.

6.12 For LCIV MAC Fund and LCIV Alternative Credit Fund, the investment with CQS had transitioned to a ‘fund of one’ created for the exclusive use of London CIV Client Funds. The investment management fees had been reduced for both funds, and the administration fees had been capped.

6.13 Of the nine global equity strategies, five beat their investment objectives over one year, with only one beating their investment objectives since inception. Within the multi-asset funds, only one of four had been beating their investment objectives since inception, with none over one year. Similarly, of the three fixed income funds, only one was beating its investment objectives since inception, with none beating them over one year.

6.14 LCIV UK Housing Fund had been launched, with a first close of £150m. CBRE had been selected to manage part of this sub-fund, and the next manager was undergoing due diligence. Both the Global Equity Value and Sterling Credits funds were in stage 1: Initiation, with Seed Investment Groups (SIGs) in June 2023 and a first close/launch anticipated in Q3 2023. This Fund had participated in the Value SIG. Research and planning were underway for the Global Equity Value Fund, and this was of particular interest as Camden had the investment manager Harris in this space.

6.15 In April 2023, a new fund investment in a Macquarie managed fund was added to LCIV Renewable Infrastructure Fund and was completed with the investment of

$150m being confirmed as of 31 March 2023. LCIV was currently talking to two new investors about this fund.

6.16 LCIV Absolute Return Fund had moved to a ‘fund of one’ to deliver fee savings, and this was expected to be completed in Q3 2023. LCIV had looked to move the drawdown time from 5 to 10 business days for the credit facility for private markets, and client funds had been asked for feedback, with this expected to be completed in May 2023.

6.17 The ACS accounts had been approved for the year to December 2022 with no audit issues to note. Shareholder consent had allowed LCIV to recommence work on their annual permissions application with the FCA, targeting Q3 2023.

6.18 The Cost Transparency Working Group had met on 28 April with Chair Damon Cook with an updated remit, currently working on fee saving methodology, review of Assessment of Value (AOV), and funding model.

6.19 The Financial Conduct Authority (FCA) had required that all ACS funds report annually and publicly on the conclusions reached from Assessment of Value.

6.20 AOVs had been carried out in line with the FCA rules for the year to 31 December 2022, which included seven core criteria: quality of service, performance, costs, economies of scale, comparable market rates, comparable services, and classes of shares. All sub-funds had been assessed against these criteria and provided a rating, except LCIV Alternative Credit Fund which had not been in existence for a full year at 31 December 2022.

6.21 The “CACEIS” universe had been used again for comparable market rates, and the process and feel to the report had been similar to that from the prior year with only a few changes to note: star ratings had been introduced, enhanced cost explanatory notes had been added, benchmark lines had been added where the objective was ‘benchmark plus X%’, and the Sterling overnight rate, SONIA, had been added as a reference where no benchmark was noted in the investment objective. The report had been produced collaboratively by internal members of operations, client, investment, and compliance, and risk teams.

6.22 There had been three ratings for AOV: 3 stars (delivers value for money), 2 stars (delivers value but some criteria are to be monitored), and 1 star (value not delivered. Action taken to improve achievement of criteria). Five funds had been rated 3 stars, seven had been given a 2-star rating, and the remaining three funds had been awarded 1 star. Two of the 1-star funds, LCIV Global Alpha Growth Paris Aligned Fund and LCIV Diversified Growth Fund, had both been used by this Fund and managed by Baillie Gifford. Below were the actions taken by CIV to monitor these funds.

6.23 LCIV Global Alpha Growth Paris Aligned Fund: The sub-fund had been under normal monitoring. LCIV had believed the investment manager possessed the necessary stock selection skills to recover the performance shortfall. The sub-fund had met its extra objective of keeping a lower Weighted Average Greenhouse Gas intensity compared to the MSCI All Country World Index (ACWI) EU Paris Aligned Requirements Index. LCIV had intensified monitoring of the investment manager's decision-making, portfolio construction, and risk management, with an ongoing in-depth review. Negotiations had begun to reduce investment management fees.

6.24 LCIV Diversified Growth Fund: This sub-fund had been downgraded to enhanced monitoring. Concerns about the effectiveness of decision-making, use of the array of tools available to the portfolio managers, and approach to managing risk had been made clear to the investment manager. LCIV had intensified their monitoring of decisions and analysis of the sources of risk in the sub-fund and increased the frequency of discussions with decision-makers. LCIV had been encouraged by the actions taken by the investment manager to address their concerns. Another in-depth review based on the eight-factor framework had been due to take place in June.

6.25 Additional services: To add value, LCIV had offered a climate reporting service and assisted clients in making transition management arrangements. The CIV had proposed to offer, for free, their Climate Analytics service to all clients. Gus Loriot, who runs the service, had presented this to the committee.

6.26 Strategic product roadmap: LCIV had had a high-level strategic product roadmap in place based on regular engagement with client funds. This plan had identified three phases for development with an initial focus on property funds and private markets, and they had continued to work to increase the number of existing funds which met the definition of ESG. This strategic roadmap had been rebranded, and the Fund Range had been reviewed in 2023.

6.27 Responsible Investment (RI) and ESG: LCIV had worked on their net-zero roadmap and integrated ESG more closely within their strategic product roadmap. They had made forest and deforestation a focus for engagement activity as it had the potential to contribute to all three of their RI themes, joining the Lowering Emissions by Accelerating Forest finance (LEAF) coalition to support their activity. LCIV had targeted corporate net-zero by 2025.

<u>Minutes</u>

6.28 Sylvia Knott-Martin, Client relations Manager at London CIV, offered to host visits for Committee members interested in learning more about the pool's operations.

6.29 There was a discussion about the continued enhanced monitoring status for the Diversified Growth Strategy, following a meeting with the Diversified Growth Fund Manager (Baillie Gifford) in June 2023.

6.30 Investors were to be invited to a due diligence webinar with the Fund Manager, where findings of fund monitoring and assessments against eight scoring criteria would be shared.

6.31 An update on the Infrastructure Fund revealed £106 million committed in 2019, with 65% already invested, mainly in renewable infrastructure. Negotiations for reduced fees due to some services not being provided were ongoing, subject to quarterly reviews.

6.32 The performance of the Global Paris Aligned fund highlighted Microsoft as the top contributor at 3.86%, followed by Amazon at 2.3%, and Alphabet at 2.2%. Tesla was not among the top 10 holdings.

6.33 Members were encouraged to attend an upcoming CIV conference in central London's Trafalgar Square on September 4th and 5th, 2023, with invitations sent to Pension Committee chairs, and interested members advised to inform the Head of Treasury and Financial Services.

6.34 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.

6.35 <u>The Committee noted the report</u>

7 Business Plan

7.1 This report updated the Pension Committee on future business items and training attended and opportunities.

7.2 The forward plan has been updated for items scheduled to be taken by Pension Committee in 2023. Much of the new future work plan of the Committee will fall out of the investment strategy review being reported to this meeting.

7.3 Members were reminded of a new training opportunity for Members of Pension Committee and Pension Board as well as officers, in the Hymans online learning academy. This includes modules on:

- an introduction to the LGPS
- Governance and Oversight
- Administration and Fund management
- Funding and Actuarial matters
- Investments
- Current events

7.4 Training is delivered via videos, with jargon buster crib sheets and a quiz on each module. Completion can be tracked for each user so we can keep a record of which topics have been covered widely and which topics users need to focus on. The training meets the requirements of the CIPFA Knowledge and Skills Framework and the Pension Regulator's Code of Practice.

7.5 To date the 8 committee members have completed 2 modules (8 members) and Pension Board members have completed 10 modules (4 members). The 2 new members of Pension Committee were been given access to the training modules and also had a presentation from the Head of Treasury and financial services on the training run by Hymans and Isio back in June 2022 after the Municipal elections that year (inducting the newly formed Pension Committee).

Minutes

7.7 The Head of Treasury and Financial Services discussed future work plan items sourced from the Investment Review Strategy, including Affordable Housing and Infrastructure. He emphasised the importance of prioritizing training through the Hymans online portal.

7.8 Various topics were covered, including 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.

7.9 Members acknowledged a correction that the CBRE and Partners Managers meeting would occur on February 22, 2024, not in 2023.

7.10 The Committee noted the report

8 PENSION COMMITTEE 20 SEPTEMBER 2023

No minutes available at this point. They will be received and agreed at the December meeting.

Terms of Reference

8.1 This report has been taken in full

8.2 The Committee agreed to recommend the proposed change to its Terms of Reference set out in paragraph 2.1.5 and 2.1.6 of the report to the Audit and Corporate Governance Committee for consideration and referral on to Council for approval.

9 **Performance Report**

9.1 This report presents the performance of the Pension Fund investments up to 30 June 2023 and since manager inception. As shown in Table 3, the portfolio had a market value of £1.94bn at 30 June 2023, which represents an increase of 0.95%, or £18.3m, over the quarter.

TABLE 3: PORTFOLIO SUMMARY

Manager	Mandate	Year Appointed	31/03/23 £m	30/06/23 £m	31/03/23 %	30/06/23 %
Baillie Gifford (LCIV)	Global equity	2016	223	230	12%	12%
Harris	Global equity	2015	180	180	9%	9%
L&G	Global equity	2011	401	415	21%	21%
L&G	Future World global equity	2021	280	290	14%	15%
CQS (LCIV)	Multi asset credit	2019	225	229	12%	12%
L&G	Index linked gilts	2009	70	63	4%	3%
Stepstone	Infrastructure	2019	78	83	4%	4%
Partners	Global property	2010	88	83	5%	4%
CBRE	UK property	2010	86	88	4%	5%
Aviva (LCIV)	UK property	2021	75	72	4%	4%
HarbourVest	Private equity	2016	50	50	3%	3%
Baillie Gifford (LCIV)	Diversified growth	2022	88	86	5%	4%
Cash & other			83	76	4%	4%
Fund			**£1,926**	**£1,945**	**100%**	**100%**

9.2 The second quarter of 2023 saw steady performance, due to rebound from the previous quarter brought about by a fall in inflation globally, with the exception of the UK and resilient employment data and GDP growth. This quarter saw rises in Global equities but falls in gilts and bonds, and in the previously-buoyant private equity and property sectors.

9.3 Equities had a strong quarter primarily driven by a strong performance in the US and Japanese markets fuelled by growing enthusiasm for artificial intelligence related stocks and upward revision of US Q1 GDP data, suggesting the US economy might avoid a recession despite rising interest rates. The increase in Japanese equities partly due to a weaker yen boosting exports and a amore accommodating monetary policy. UK equities lagged behind peers, experiencing a slight decline in Q2 due to concerns over recession, negative employment data and persistently high inflation weighing on the UK market.

9.4 Medium and long term bonds faced headwinds as interest rates continued to rise, with central banks not signalling a shift away from their inflation-fighting stance. Commodity prices have also seen a fall as investors returned to risker assets and cash alternatives with higher yields.

9.5 Property valuations have also seen heavy falls c17% in the one year timeframe albeit in the last quarter the index has stabilised with a 1% increase. Offices, industrial and retail have all had significant falls.

9.6 The performance of the Fund is set out below:

TABLE 4: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	1.3	13.3	4.0	15.0	10.3
Global Equities (Gross) + 2.5%	4.1	14.7	6.4	13.2	13.7
Excess Return	**-2.8**	**-1.4**	**-2.4**	**1.8**	**-3.4**
Baillie Gifford (London CIV)	3.2	11.0	-7.8	3.6	7.5
Global Equities (Gross) +2.5%	4.1	14.7	6.4	13.2	12.2
Excess Return	**-0.9**	**-3.7**	**-14.1**	**-9.6**	**-4.6**
L&G Future World global passive equity	3.7	12.1	-	-	
Solactive L&G ESG Global Markets	3.7	10.6	-	-	
Excess Return	**0.0**	**1.5**	**-**	**-**	
L&G global passive equity	3.4	11.8	3.8	10.4	12.1
FTSE All-World + 0%	3.4	11.7	3.8	10.4	12.1
Excess Return	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**
CQS & PIMCO (LCIV)	1.9	5.7	-1.1	3.5	1.5
3 Month SONIA +4.50%	2.3	8.2	6.6	5.9	5.7
Excess Return	**-0.4**	**-2.5**	**-7.7**	**-2.4**	**-4.2**
L&G passive ILG	-7.8	-20.0	-20.1	-15.2	3.8
FTSE > 5yr Index Linked Gilts + 0%	-7.9	-20.4	-19.9	-15.2	3.7
Excess Return	**0.1**	**0.4**	**-0.2**	**-0.1**	**0.1**
CBRE	0.2	-16.3	0.5	2.4	6.1
All Balanced Property Funds + 1%	0.6	-16.6	1.9	4.4	6.9
Excess Return	**-0.5**	**0.3**	**-1.4**	**-2.0**	**-0.9**
Partners 2009 Euro fund	-9.1	-3.4	6.9	1.9	6.5
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-12.7**	**-18.4**	**-8.1**	**-13.1**	**-8.5**
Partners 2013 USD fund	-7.2	-11.8	5.2	0.5	10.1
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-10.8**	**-26.8**	**-9.8**	**-14.5**	**-4.9**
Partners 2017 USD fund	-4.4	-7.2	90.2	8.3	7.1
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	**-7.9**	**-22.2**	**75.2**	**-6.7**	**-7.9**
HarbourVest	-1.2	-11.9	17.8	23.1	22.5
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	**-3.1**	**-19.9**	**9.8**	**15.1**	**14.6**
Stepstone (London CIV)	0.3	7.6	11.0	4.7	3.8
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	**-1.9**	**-1.4**	**2.0**	**-4.3**	**-5.0**
Aviva RELI (London CIV)	-3.3	-17.3	-	-	-13.8
RPI + 1.75%	2.9	12.6	-	-	14.0
Excess Return	**-6.2**	**-30.0**	**-**	**-**	**-27.8**
Baillie Gifford Diversified Growth Fund (LCIV)	-2.1	-1.8	-	-	-7.4
SONIA +3.5%	1.9	6.7	-	-	6.2
Excess Return	**-4.1**	**-8.5**	**-**	**-**	**-13.7**
Total Fund	**1.2**	**3.8**	**-0.5**	**6.4**	**8.6**
Total Fund Composite Target	**1.8**	**8.4**	**5.7**	**9.1**	**10.6**
Excess Return	**-0.6**	**-4.5**	**-6.1**	**-2.7**	**-2.0**

9.7 **Harris** has underperformed against target in this quarter by 2.8%, and their one year return has also underperformed against target (-1.4%). Harris remain behind target since inception by 3.4%. Harris, as a value manager, underperformed against other value stocks and quarterly performance was negatively impacted by stock selection.

9.8 **Baillie Gifford** (CIV) have underperformed the target over the quarter and the trailing year by -0.9% and -3.7% respectively, and since inception by -4.6%. The Baillie Gifford holdings now consist only of the Global Alpha Growth Paris-Aligned Fund. Baillie Gifford equities have performed against Harris's value stocks over the quarter, and over the year, by +1.9% and -2.3% respectively. The top performing holdings within the fund were Amazon, Microsoft and Facebook, while the largest detractors from returns came from Prosus Nv, Moderna and Royalty Pharma.

In Q2, the fund's performance matched the benchmark across the sector, indicating stability after portfolio adjustments by Baillie Gifford. LCIV maintains an overall status at 'Normal Monitoring' status but after a meeting in June and remains confident in the Manager's ability to recover losses and views that the revamped portfolio may have started seeing benefits. During a meeting with Baillie Gifford and the adviser, the Manager reported improving performance despite market volatility. Q2 performance fell short of targets due to missed opportunity holdings, particularly in Apple and Nvidia, which performed well.

9.9 **Legal & General** equities have tracked their benchmarks in the quarter, and seen a small growth in value overall. The Future World global equity fund is a sustainable passive fund which is more closely aligned to the Pension Fund's investment beliefs. The Future World fund is benchmarked against the Solactive index and the underperformance can be attributed to the fund's lower exposure to energy and commodity firms, which have benefited from the recent rise in energy prices. This tracking error is within expected ranges**.**

9.10 **CQS & PIMCO** (CIV) tracked the benchmark over the quarter with an under performance (-2.5%) over the year and are behind target by -4.2% since inception. LCIV commented that sub-investment grade debt, was a key detractor in Q2 both due to negative changes in mark to market pricing and exposure to interest rate risk in a period of raising yields. However over the past 18 months, losses resulting from defaults have not significantly impacted the fund. Both investment managers have emphasised the importance of remaining vigilant in the future. This is a factor that warrants ongoing monitoring.

9.11 **CBRE** gained slightly in the quarter (0.2%) but underperformed the target by -0.5% over the quarter and outperformed the target by +0.3% over one year (despite strong property repricing -of 16.6%). This quarter's performance has had minimal impact on long term results; they have now returned +6.1% per annum since inception, against a target of +6.9%. Despite the slight rebound in Q2, CBRE continue to expect hybrid working and ESG compliance to remain the main detracting factors within the sector affecting mainly average quality, non-prime office space.

9.12 **Partners Group** funds' performance deteriorated over Q1 2023, but it is important to bear in mind that these valuations lag by three months due to the nature of the fund of fund arrangement. Partners Group funds' performance is viewed individually for the three funds as follows:

iv. The 2009 Euro fund has underperformed the target by -12.7% over Q1 2023, and is -8.5% below its ambitious target since inception. This fund is fully invested. The fund is in its realisation stage and continued to be in receipt of proceeds from its underlying investments. The manager continues to "focus on exits and distributions as several investments in the portfolio move into the realization phase of their lifespan".

v. The 2013 Dollar fund’s performance has dropped in the Q1 2023 and now registers -11.8% over the past twelve months. Since inception, the fund has returned +10.1% per annum compared to its target of 15.0%. The fund will “focus on the existing portfolio of assets, while evaluating divestment opportunities for the mature assets”.

vi. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -4.4%, -7.9% below the target for the quarter. Since inception, it has achieved +7.1% growth against an ambitious 15% target. This fund has now drawn 60% of its commitments, and it remains in its’ “value-creation” stage.

9.13 **HarbourVest** also saw relatively small falls in value (-1.2%) and underperformed its benchmark by -3.1% in Q2 2023, and have underperformed by -19.9% over one year. This is following the expected slow-down trend in private equity, after several quarters of strong results. As a proportion of committed investments, 74% of HarbourVest’s investments are meeting or exceeding expectations, whereas 26% of them are below expectations. This is an increase from 18% below expectations in the last quarter. Their valuations are also lagged by three months and so the full effects of the current macroeconomic situation are only just beginning to be seen on HarbourVest’s holdings. Around 84% of the fund has been drawn down at the end of March 2023.

9.14 **Stepstone** (CIV) had remained relatively flat (0.3%) over the quarter, -1.9% behind the target, but these figures also lag by three months, as is typically the case with private market investments. The fund was launched on 31 October 2019 and performance since inception is +3.8% compared to a target of +8.8%. The current IRR (internal rate of return) on the Stepstone portfolio is ahead of expectations. Looking to the future, infrastructure will be a key part of economic recovery plans, in line with the Fund’s investment beliefs.

9.15 **Aviva** (CIV) received initial investment from the Fund in December 2021. Performance over the quarter was a fall of -3.3%, heavily underperforming the target over twelve months by -30%. This Fund is a significant investor in this LCIV fund, making up over 44% of the funds deployed. This fund is now known as the Real Estate Long Income Fund, and invests in properties with long leases and strong tenants, with returns driven by the focus on secure, long-term, contractual inflation-linked cashflows. The manager has stated that there is a negative outlook for real estate owing to significant changes to the price of debt, and long income real estate assets have seen the most immediate consequences of this, given their correlation to the fixed income market.

9.16 **Baillie Gifford Diversified Growth Fund** (CIV) returned results underperforming against the target for the quarter (-2.1% vs +1.9%.) This is the fifth full quarter of results for Camden’s investment into this fund, following initial investment in March 2022, and performance since inception is -13.7% below target. Baillie Gifford maintain a similar outlook to the last quarter attributing this performance to the active equity, bond and property portfolios within their product which have underperformed the market. Over the next 12-18 months, Baillie Gifford expects growth to be slower, also expecting inflation to fall towards central bank targets.

9.17 The Committee noted the report

10 **Engagement**

10.1 This report has been taken in full.

10.2 The Committee noted the report and that pass-through voting that will apply the Fund's voting policy to the passive equity allocation managed by Legal and General (L&G) set out in section 3.

11 LCIV Report

11.1 This report provides 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.

11.2 Total assets pooled by client funds stood at £28bn as at 31 July 2023. £13.8bn were public market funds, £1.4bn private market funds (with a further £2.5bn private market fund commitments). The value of pooled passive assets was £12.9bn.

11.3 **Fund activity Short term** - The fund has launched the LCIV Long/Short Duration Buy & Maintain Credit Fund with seed investors on 24 August. The Absolute Return Fund modification has been approved by the Financial Conduct Authority (FCA), with its transition expected at the end of August.

11.4 **Fund Activity Mid Term -** The Investment cost review and fund range review were completed and have fed into the launch and modifications plan and funding model with Cost Transparency Working Group (CTWG). The Responsible Investment Reference Group (RIRG) has been renamed Sustainable Working Group with new Terms of Reference and revised membership SBR workstreams are set to increase focus on relevance and maturity and the Corporate London CIV Net Zero working group will be formed as part of the mid-term activity, this will be an internal cross-team initiative. LCIV are also exploring an Impact Investing Working Group and are continuing work with Commercial Property Planning

11.5 **Fund Monitoring:** As at August 2023, there are no funds on the Watch list for LCIV. 3 funds are undergoing Enhanced Monitoring, Global Equity Focus Fund (Longview), Global Total Return Fund (Pyrford) and the Diversified Growth Fund (DGF) (Baillie Gifford which we are invested in). The next review for the DGF is scheduled for December 2023.

11.6 This fund is transitioning to the LF Thames Absolute Return Fund, a new sub-fund on Ruffer's Asperior Investment Funds platform. The investment objective for the LCIV Sub-fund will not change

11.7 **Fund Launches:** LCIV are planning to launch two new funds in November 2023: LCIV Short Duration Buy & Maintain Credit Fund and LCIV Long Duration Buy & Maintain Credit Fund. The objectives of these funds are to provide certainty in cash flow terms whilst matching a pension scheme's liability profile.

11.8 LCIV have applied the Fund Launch Framework to the manager selection process, focusing on aspects such as excellence in credit selection with global coverage, expertise in managing buy and maintain assets, best class integration of ESG, and Competitive Total Expense Ratio (TER).

11.9 Insight Investment Management has been selected as the Investment Manager of both sub-funds with their appointment subject to satisfactory completion of commercial negotiations and legal and operational due diligence.

11.10 **Other Fund Activity:** LCIV Absolute Return Fund is moving to 'fund of one' to deliver fee savings with expected completion in Q3 2023. FCA approval was received on 10 August 2023 and the planned transition date is 31 August 2023.

11.11 The LCIV UK Housing Fund is undergoing second manager selection with due diligence in progress. This is expected to be completed in Q4 2023 (we are looking at a potential investment in this fund).

11.12 LCIV Real Return Fund is moving to a sustainable version which would be managed on a delegated/ segregated account basis by Newton. The expected completion for this is to be confirmed, but a review of the structuring options has now commenced.

11.13 **Cost transparency working group (CTWG) update:** The CTWG, chaired by Damon Cook (the section 151 officer at Greenwich) comprising officers and members from across ten client funds, met on 16 August 2023. The summary of outcomes from the meeting follow.

11.14 To share fee reductions achieved between funds and LCIV to support the objective of achieving Development funding charge reductions. LCIV to maintain financial stability to support its shareholders/ investors.

11.15 To progress the assessment of vendors to assist in proposing an appropriate fee saving methodology to the next working group (week commencing 25 September 2023).

11.16 **Annual Conference:** The CIV held its annual conference on 4 and 5 September. This was well attended by member funds and included members and officers from client funds, managers of the sub-funds and CIV staff. Cllrs Madlani and Burrage as well as the Head of Treasury and Financial Services attended on behalf of Camden. The topics covered were wide ranging and included a session on Opportunities and threats, Equity allocations, Fixed income, Affordable Housing, risk and a lot of discussion about the current pooling consultation. The second day focussed on Environmental, Social and Climate issues. There detailed discussion on how society and business are reliant on the services nature provide, debate on how governments are recognising the importance of stopping and reversing nature loss and the taskforce on Nature-related Financial disclosures (TNFD).

11.17 **Government consultation:** On 11 July the Government published a consultation on pooling. It covers asset pooling, levelling up, opportunities in private equity, investment consultancy and investment definitions. The consultation closes on 2 October.

The consultation seeks views on 5 areas:

- Accelerating and expanding pooling efforts with a focus on transparency. A deadline for asset transition by March 2025 is proposed, and action may be taken if progress falls short.
- Suggesting that funds allocate up to 5% of assets to support UK levelling up initiatives, as outlined in the Levelling Up White Paper (LUWP). Detailed plans are provided in the consultation.
- Increasing investment in high-growth companies via unlisted equity, targeting opportunities for long-term investors like the LGPS.
- Seeking feedback on amendments to LGPS regulations related to funds using investment consultants, to comply with CMA requirements.

- Proposing a technical change to the definition of investments within LGPS regulations.

11.18 The Committee noted the report

12 Business Plan

12.1 This report sets out items that are proposed to be included on the agendas for future meetings of this Committee, and details of training opportunities for Members and officers to plan to stay informed on upcoming topics.

The forward plan has been updated for items scheduled to be taken by Pension Committee in 2023. Much of the new future work plan of the Committee will fall out of the investment strategy review reported to the July meeting.

12.2 It was agreed with the Chair and Vice-Chair that in future Pension Committee reports will also include ‘Responsible Investor comments’ similar to Finance and Legal Comment sections. These will highlight any RI or environmental, social and governance (ESG) implications and will draw out the impacts of any decisions and in reports for Members for clarity.

12.3 There was a training opportunity for all Members on 13 July 2023, when Isio, the Fund’s investment consultants, took Members through their Investment Strategy Review ahead of the Committee item on 24 July. This was well attended by Committee Members.

12.4 The Committee noted the report