

THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION COMMITTEE** held on **MONDAY, 4TH DECEMBER, 2023** at 6.30 pm in Council Chamber, Town Hall, Judd Street, London WC1H 9JE

MEMBERS OF THE COMMITTEE PRESENT

Councillors Heather Johnson (Vice-Chair, in the Chair), Anna Burrage, Matthew Kirk, Jenny Mulholland and James Slater

MEMBERS OF THE COMMITTEE ABSENT

Councillors Rishi Madlani, Sylvia McNamara 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 Rishi Madlani (Chair), Sylvia McNamara, and Shiva Tiwari.

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

In relation to Agenda Item 8, Karen Shackleton (Independent Investment Advisor) declared that she was a non-executive Chair of Resonance. Resonance was listed as one of the potential managers for the Affordable Housing sub-fund, as detailed in the in the report.

3. ANNOUNCEMENTS

Webcasting

The Chair announced that the meeting was being broadcast live to the internet and would be capable of repeated viewing and copies of the recording could be made available to those that requested them. Those seated in the Chamber were deemed to be consenting to being filmed. Anyone wishing to avoid appearing on the webcast should move to one of the galleries.

4. DEPUTATIONS

There were none.

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

There was no urgent business.

6. MINUTES

RESOLVED –

THAT the minutes of the meeting of the Pension Committee held on 20th September 2023 be approved and signed as a correct record.

7. PERFORMANCE REPORT

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

The Head of Treasury and Financial Services introduced the report which outlined the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 30 September 2023.

Karen Shackleton, Independent Advisor, provided the committee with an overview of her comments on the financial markets and provided detail on the performance of the individual Investment Managers, as set out in Appendix A to the report.

Responding to question, the Head of Treasury and Financial Services advised that a report had been submitted to the Chair of Pension Committee requesting his agreement to the transfer of funds as per the July Investment Strategy Review agreed by this committee. Paperwork was being finalised to instruct the sale of the global equity managed by Harris and investment into index-linked gilts with L&G. There was a concern that trading close to Christmas could negatively impact the investment so, if necessary, the transfer would be delayed until the new year.

A Committee Member sought further information on the potential impact of the forthcoming leasehold reforms on funds and sought clarity on whether fund managers had undertaken assessment on the reforms. The Independent Advisor confirmed that she would obtain this information from fund managers and provide a written response.

In terms of investment in fossil fuel companies, the Head of Treasury and Financial Services advised that whilst no more stock had been purchased, fossil fuel exposure had slightly increased due to the overall Fund value reducing. In response to a follow

up question, the Committee were advised that investment in Harris and Ballie Gifford would be halved, and fossil fuel exposure would, therefore, reduce as a result.

RESOLVED –

THAT the contents of the report be noted.

8. AFFORDABLE HOUSING ALLOCATION

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

The Head of Treasury and Financial Services introduced the report, which set out the Affordable Housing proposition in detail and recommended investment into the London CIV Affordable Housing fund. It was noted that Committee Members had recently attended a training session that focused on investment in affordable housing.

Isio Investment Consultants, Andrew Singh and Hermione Rigg, took the committee through the report in detail, advising that the Committee had agreed a new strategy in July 2022 and the report provided an outline of Affordable Housing as a new asset class. Key points were made as follows:

- Residential property was an alternative to commercial property.
- Returns were designed to produce income via rental payments and to increase capital value.
- Returns were inflation linked and offer diversification from traditional asset classes.
- Investments in this type of fund benefitted from being defensive and less economically sensitive.
- There were some risks associated with this investment type.
- The sub-fund would invest in the CBRE UK Affordable Housing Fund and the Octopus Affordable Housing Fund.

Responding to questions the Isio Investment Consultant provided the following information:

- Typically, with a new investment of this type, there is a lag in early years due to lack of established assets in the portfolio and investor capital was used for development. As assets became operational, performance then stabilised and improved. The CBRE fund was established in 2018 and performance was broadly in line with expectations of a fund of that age. Each development became less impactful as the fund matured.
- Specific data on performance would be provided to the Committee in writing.
- It was important to have a balanced sub-fund. CBRE had established a portfolio of assets which could provide a stabilised return, but it would take longer to invest due to higher demand. Octopus, on the other hand, was a new fund so had the benefit of being able to accept investments more quickly.

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- This type of fund had previously been very London centric as this was where the demand was, so returns were often higher when investing in this area.
- However, the market was developing quickly, and opportunities for investment were distributed across the country, and CBRE's current investment profile was roughly 30 – 40% in London, 20% - 30% in the Southeast and the remainder was invested elsewhere.
- In terms of risks associated with inflation linked income, it was noted that there was a contractual obligation to increase rental charges in line with inflation. However, when interest had reached 10 – 11% it was not considered appropriate to raise rents this high, so a cap was introduced but this was not considered to have an adverse impact on the fund.
- It was in the Fund's best interest to ensure that properties were constructed and managed to a high standard, due to the reputational risks involved with poorly maintained properties.
- Roughly 60 – 70% of residential properties within the fund would be newly built, and 30 – 40% of stock would be existing buildings that had been retrofitted to meet current standards.

The Committee commented that affordable housing was a positive investment and were pleased that there was an increased focus on the social impacts of investments.

Therefore, it was

RESOLVED –

THAT the Committee:

- i) Agree that the Fund invest £97m in the London CIV affordable housing sub-fund;
- ii) Agree that the funds invested with Partners Group are allowed to mature;
- iii) Agree that any balance on the July 2023 Investment Strategy Review is to come from the Legal and General Passive global portfolio; and
- iv) Delegate all matters relating to this resolution to the Executive Director Corporate Services.

ACTION BY: Executive Director Corporate Services

9. BHP CLASS ACTION

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

The Head of Treasury and Financial Services introduced the report and advised that following the Fundão Dam collapse, a class action lawsuit was bought against BHP in the High Court of Australia. The Committee were informed that G&E KTMC Funding LLC offered a fully funded litigation option for BHP shareholders who

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wished to pursue a damages recovery, in exchange for an 18% contingency fee. This was a fully funded litigation option that the Fund was recommended to join.

Lara Blecher, Research and Engagement Partner to Local Authority Pension Fund Forum (LAPFF), advised that the LAPFF Chair had visited the communities in Brazil that were destroyed by the dam collapse. During this visit BHP refused to meet with the Chair and had failed to provide information, despite numerous requests.

Nadia Klein, of Counsel, Grant and Eisenhofer, provided the Committee with an overview of some of the class action work that Grant and Eisenhofer had undertaken. Nadia Klein then advised that BHP investors were being invited to join the class action for free and G&E KTMC Funding LLC would deduct 18% of the net recovery if the claim was successful. It was likely that BPH would settle.

A Committee Member sought assurance that there would be no circumstance under which the Fund would incur a cost. Nadia Klein assured the Committee that G&E KTMC Funding LLC were assuming all liability for costs and had adverse costs insurance. Furthermore, under Australian law only the lead plaintiff would be liable for costs if the case was not successful.

Responding to a follow up question, Nadia Klein explained that in Australia class action suits are confidential, providing further protection from risk.

In terms of the final settlement, each investor that joined the group litigation would receive a pro rata share based on their losses. A final sum would be available when the case settled.

Nadia Klein stated that another benefit of joining the group litigation would be holding the company accountable for the environmental impacts of the dam collapse.

Overall, committee members agreed that joining the group litigation was the right thing to do, due to the opportunity to make financial recoveries and to hold BPH responsible.

Therefore, it was

RESOLVED –

THAT the committee:

- i) Agree that the Fund join the class action led by G&E KTMC Funding, LLC (G&E Law); and
- ii) Delegate authority to the Executive Director of Corporate Services in consultation with the Borough Solicitor to take all decisions relating to this action and the conduct of the litigation to include entering into any documentation required for the purposes of the litigation and any decisions as regards settlement.

10. ENGAGEMENT REPORT

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.

Lara Blecher, Research and Engagement Partner to LAPFF, provided an overview of the report highlighting that there had been substantial engagement on climate and human rights.

A Committee Member expressed concern that the report lacked a focus on gender equity and stated that boards with women on would think more holistically about their impact, which would have a positive effect of some of the issues highlighted in the report.

Lara Blecher confirmed that board composition was engaged on in a wider context, but LAPFF member requests drive direction of engagement on issues important to them. Unfortunately, engagement on gender equity had not been frequently requested but it would be raised as an issue for engagement, as it was an important consideration.

Following on from this, Lara Blecher encouraged Members to raise specific areas of interest when the new plan was circulated for comment.

RESOLVED -

THAT the contents of the report be noted.

11. EMPLOYERS REGISTER

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

The Head of Treasury and Financial Services advised that the report was an annual report that provides an overview of updates the employer register for all the admitted bodies in the Pension Fund and relevant data for the Committee to review in light of their funding positions and scheme status.

The Chair drew Committee Members' attention to the Part II Appendix of the report and advised that if the Committee wished to discuss the contents of the Part II appendix it must pass a resolution exclude members of the public and the press from the proceedings.

Therefore, the Committee passed the following resolution:

RESOLVED –

THAT the press and public be excluded from the proceedings of the Pension Committee on 4th December 2023, during consideration of item 11 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 (as amended) and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Specifically -

Publicity in respect of item 11 would be likely to lead to the disclosure of information relating to the financial or business affairs of particular persons by virtue of Category 3 of Schedule 12A of the 1972 Act.

Part II

The Committee moved into Part II at 8:15pm.

The Head of Treasury and Financial Services responded to a question of clarification on information contained within the Part II appendix.

Part I

The meeting returned to Part I at 8.16pm.

RESOLVED –

THAT the contents of the report were noted.

12. LONDON COLLECTIVE INVESTMENT VEHICLE PROGRESS REPORT

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

The Head of Treasury and Financial Services introduced the report, which provided a quarterly update on developments at the London Collective Investment Vehicle (CIV) in creating sub-funds for the spectrum of asset classes, on-boarding of assets and development of the CIV's staff resource.

RESOLVED –

THAT the contents of the report be noted.

13. BUSINESS PLAN

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

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

The Head of Treasury and Financial Services informed members of the following updates:

- A meeting with Investment Managers, CBRE & Partners, was scheduled to take place on 22nd February 2024.
- There would be a review of the voting policy at the next meeting of the Committee, which was scheduled for 5th March 2024.
- The Head of Treasury and Financial Services and Councillor Johnson were scheduled to attend the Local Authority Pension Fund Forum Conference, taking place from 7th to 9th December 2023.

RESOLVED –

THAT the contents of the report be noted.

14. DATE OF NEXT MEETING

The next Pension Committee was scheduled to take place on Tuesday 5th March 2024.

15. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was none.

The meeting ended at 8.21 pm.

CHAIR

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MINUTES END