

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Pension Committee Update Report	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Board	DATE: 16 April 2024
SUMMARY OF REPORT: <p>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 4 December 2023 and 5 March 2024.</p>	
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: <p>The Pension Board is requested to note the contents of this report.</p>	
Signed by Director of Finance Agreed Date 4/04/2024	

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 4 DECEMBER 2023](#)

2.1. Performance Report

- 2.2 This report presented the performance of the Pension Fund investments up to 30 September 2023. The portfolio had a market value of £1.935bn at 30 September as shown in Table 1. This was a decrease from 30 June of 0.6% or £10m.

TABLE 1: ASSET CLASS ALLOCATIONS

	Value £m	Current Weight	Target Weight
Baillie Gifford (LCIV)	£220	11%	
Harris	£184	10%	
L&G global passive	£419	22%	
L&G passive equities	£290	15%	
Equity	£1,113	58%	50%
CQS (LCIV)	£231	12%	
L&G Ind.Lkd Gilts	£60	3%	
Bonds	£291	15%	20%
CBRE	£85	4%	
Partners Group	£83	4%	
Aviva (LCIV)	£70	4%	
Property	£238	12%	15%
HarbourVest	£55	3%	
Private Equity	£55	3%	5%
Stepstone (LCIV)	£85	4%	
Infrastructure	£85	4%	5%
Baillie Gifford (LCIV)	£84	4%	
DGF	£84	4%	5%
Cash & other	£69	4%	0%
Fund	£1,935	100%	100%

- 2.3 In Quarter 3, 2023 GDP growth was stronger than expected in the United States, but China's economy had begun to show weakness in recent months with lower than expected GDP growth issues in its property sector. In the Eurozone, Germany lingered in recession as its economy stagnated in Q2 following two consecutive periods of contraction. Following events within the Middle East, crude oil hit its highest price of the year as crude inventories fell and production cuts began to take effect.
- 2.4 In the UK GDP growth was flat and unlikely to accelerate in the short term as the impact of Bank of England monetary tightening policy would continue to dampen growth via both higher household and business borrowing costs.

- 2.5 Equities had a mixed quarter performance across the globe. US equities flat performed following strong performance in the previous quarter. European equities fell and underperformed global equities, due in part to disappointing economic data, especially within manufacturing. UK equities increased marginally as UK inflation continued to fall in the quarter. In Japan equities saw an increase in the quarter as the Japanese yen fell against the dollar and euro.
- 2.6 UK gilts continued to face headwinds as the bank of England increased interest rates by 25 basis points in August however, global corporate debt yields rose over the quarter due in part to positive economic data in the US in retail sales and GDP growth. Commodity prices saw a significant increase in the quarter with WTI crude increasing in price by 29%. UK property continued to experience worsening price trends especially in the UK housing market.
- 2.7 Comparative benchmarking data from a universe of 63 local authority pension funds (valued at £243bn) indicated the average Local Government Pension Scheme (LGPS) fund return was 0.9% in the quarter. The Fund's returns were -0.1% for the quarter and so underperformed this benchmark.
- 2.8 Over 12 months, the PIRC universe was 5.5% with the Camden Fund underperforming against the benchmark at 3.5%. Over three years the comparison with the Pensions & Investment Research Consultants Ltd (PIRC) universe is closely aligned with the Fund returning 5.5% and the PIRC universe 5.8%.
- 2.9 Examining the individual investment manager returns in Table 2, the Fund had underperformed its overall target by 1.8% in the quarter. The twelve-month relative performance was -6.6% with a target of +10.1%. Mandates that negatively impacted on the one year performance are in particular the Baillie Gifford equity fund, all Partners funds, HarbourVest, Baillie Gifford DGF and Aviva real estate funds. Since inception the Fund has returned an absolute +8.5%.

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	1.5	18.0	4.5	15.2	10.2
Global Equities (Gross) + 2.5%	1.4	13.8	6.0	12.2	13.5
Excess Return	0.2	4.1	-1.5	3.0	-3.3
Baillie Gifford (London CIV)	-4.3	4.5	-9.5	-0.3	6.3
Global Equities (Gross) +2.5%	1.4	13.8	6.0	12.2	11.9
Excess Return	-5.7	-9.3	-15.5	-12.5	-5.5
L&G Future World global equity	0.1	10.8	-	-	
Solactive L&G ESG Global Markets	0.1	10.7	-	-	
Excess Return	-0.0	0.1	-	-	
L&G global equity	0.9	11.1	3.5	9.5	12.0
FTSE All-World + 0%	0.9	11.1	3.5	9.5	12.0
Excess Return	-0.0	0.0	-0.0	-0.0	-0.0
CQS & PIMCO (LCIV)	1.0	9.4	-1.2	2.7	1.7
3 Month SONIA +4.50%	2.5	9.1	7.3	6.4	6.0
Excess Return	-1.5	0.3	-8.5	-3.7	-4.3
L&G passive ILG	-6.4	-16.2	-23.6	-16.4	3.3
FTSE > 5yr Index Linked Gilts + 0%	-6.6	-16.7	-23.4	-16.3	3.1
Excess Return	0.2	0.5	-0.2	-0.0	0.2
CBRE	-0.0	-16.3	-1.4	2.5	6.0
All Balanced Property Funds + 1%	-0.2	-13.5	-0.5	4.2	6.8
Excess Return	0.2	-2.8	-0.9	-1.7	-0.8
Partners 2009 Euro fund	0.9	-6.9	7.8	1.8	6.4
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-2.6	-21.9	-7.2	-13.2	-8.6
Partners 2013 USD fund	0.3	-18.1	3.7	1.0	9.9
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-3.3	-33.1	-11.3	-14.0	-5.1
Partners 2017 USD fund	-0.1	-13.5	92.7	6.7	6.7
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-3.6	-28.5	77.7	-8.3	-8.3
HarbourVest	10.9	-3.5	12.0	25.6	23.4
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	9.0	-11.5	4.0	17.6	15.5
Stepstone (London CIV)	-0.7	2.3	8.8	4.4	3.4
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	-2.9	-6.7	-0.2	-4.6	-5.4
Aviva (London CIV)	-1.1	-18.2	-	-	-12.6
RPI + 1.75%	1.0	10.8	-	-	12.6
Excess Return	-2.1	-29.0	-	-	-25.2
Baillie Gifford Diversified Growth Fund (LCIV)	-2.2	-0.6	-	-	-7.6
SONIA +3.5%	2.1	7.6	-	-	6.7
Excess Return	-4.3	-8.3	-	-	-14.3
Total Fund	-0.1	3.5	-1.2	5.5	8.5
Total Fund Composite Target	1.7	10.1	5.5	9.3	10.5
Excess Return	-1.8	-6.6	-6.7	-3.9	-2.1

- 2.11 **Harris** out-performed against target in the quarter by +0.2%, and the one year return also out-performed against target (+4.1%). Harris remained behind target since inception by 3.3% but had turned around their recent poorer performance. Top performer within the portfolio in the quarter was Charter communication a telecommunications and mass media company and worst performer in the portfolio was Worldline – a payments and transactions service company.
- 2.12 **Baillie Gifford (CIV)** underperformed the target over the quarter and the trailing year by -5.7% and -9.3% respectively and since inception by -5.5%. The Baillie Gifford holdings now consist only of the **Global Alpha Growth Paris-Aligned Fund**. At the stock level the largest detractors impacting on the underperformance were Chewy – Pet food retailer, payments processing company Adyen and Luxury goods company Pernod Ricard and Richemon.
- 2.13 **Legal & General** equities tracked their benchmarks in the quarter as expected, and saw slight growth in value overall.
- 2.14 The **Multi-Asset Credit (CQS & PIMCO) Fund** underperformed against target for the quarter by -1.5% but rallied to overperform against the one-year benchmark by +0.3%. Fund performance can be attributed to adverse shifts in the mark-to-market valuations of lower-rated debt and susceptibility to interest rate fluctuations during a period of increasing yields and substantial bond market volatility.
- 2.15 **CBRE** out-performed against the benchmark by +0.2% over the quarter and underperformed the target by -2.8% over one year. The quarter's performance had minimal impact on long term results; they had now returned +6.0% per annum since inception against a target of +6.8%. The top performer within the fund was the industrial Property Investment Fund and Airport industrial Property Unit Trust. .
- 2.16 **Partners Group** funds' performance deteriorated over Q2 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:
- i. The 2009 Euro fund underperformed the target by -2.6% over Q2 2023 and was -8.6% below its ambitious target since inception. This fund is fully invested.
 - ii. The 2013 Dollar fund's performance had dropped in Q2 2023 and now registered -18.1% over the previous twelve months. Since inception, the fund had returned +9.9% per annum compared to its target of 15.0%. At the end of Q2 the fund received proceeds from its underlying investment amounting to \$4.2m, bringing total distribution since inception to around \$1.6bn.
 - iii. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the previous quarter, a fall of -0.1%, -3.6% below the target for the quarter. Since inception, it had achieved +6.7% growth against an ambitious 15% target. During Q2 the programme received portfolio distributions totalling \$24.1m to be reinvested to support ongoing asset-level value creation programmes.
- 2.17 **HarbourVest** saw significant gain in value (10.9%) and overperformed its benchmark by +9% in Q3 2023 but still underperformed by -11.5% over one year.
- 2.18 **Stepstone (LCIV)** fell in value (-0.7%) over the quarter, -2.9% behind the target, but these figures also lag by three months as is typically the case with private market investments. The portfolio expansion was ongoing as the fund approached the conclusion of its ramp-up phase and most of the portfolio was now operational.

- 2.19 **Aviva (LCIV)** received initial investment from the Fund in December 2021. Performance over the quarter saw a fall of -1.1%, heavily underperforming the target over twelve months by -29%. Its performance is not formally assessed until after the end of the four-year ramp up period which will be June 2024.

When the Committee met Aviva in September 2023 they set out that the majority of return in this space comes from income and if the investor holds the property until duration there are no defaults. Aviva set out that performance attribution since inception (-8.7%) had been largely impacted by capital return being negative (-8.5%) and transaction costs (-4.3%). The Fund was modelling a projected return of 7.9%.

- 2.20 **Baillie Gifford Diversified Growth Fund (LCIV)** returned results underperforming against the target for the quarter (-2.2% vs +2.1%.) This was the sixth full quarter of results for Camden's investment into this fund, following initial investment in March 2022, and performance since inception was -14.3% below target.

When committee met BG about their DGF mandate in September, the LCIV had placed them on enhanced monitoring as of December 2022. The LCIV had concerns about delivery, tactical positioning, asset mix, dynamic levers and risk. A further review was undertaken in June 2023 by the LCIV. BG discussed recent improvements in their sub-fund in terms of more nimble decision making, linking macro-economic views in to the portfolio and increased risk resource.

FOSSIL FUEL EXPOSURE

- 2.21 All Investment managers were asked about the Fund's exposure to fossil fuels in general and a table was prepared for the Committee showing the results for all investment managers at 30 September 2023.

In 2012 the Fund had 7.2% of its equity assets invested in fossil fuels. At 30 September 2023, the fossil fuel exposure was 2.2%.

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- 2.22 The Committee noted the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 30 September 2023.
- 2.23 The Committee noted the report.

3 Affordable Housing Allocation

- 3.1. This report has been taken in full.

Minutes

- 3.2. This report set out the Affordable Housing proposition and recommended investment into the London CIV Affordable Housing fund. Isio Investment Consultants took the committee through the report in detail advising that the committee had agreed a new strategy in July 2023 and the report provided an outline of Affordable Housing as a new asset class.
- 3.3. Residential property was an alternative to commercial property and returns were expected in the form of both income via rental payments and increases in capital value. The LCIV sub-fund would invest in the CBRE UK Affordable Housing Fund and the Octopus Affordable Housing Fund.

- 3.4. The Consultants provided the following responses and comments to Committee members questions:

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 is used for development. As assets become operational, performance then stabilises and improves. 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.

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.

This type of fund had previously been very London centric as this was where the demand was and returns were often higher when investing in this area. However, the market was developing quickly with opportunities for investment now being distributed across the country. 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 inflation 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.

Due to the reputational risks involved with poorly maintained properties, it was in the fund's best interest to ensure that properties were constructed and managed to a high standard.

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.

- 3.5. The Committee commented that affordable housing was a positive investment and were pleased that there was an increasing focus on the social impacts of investments.
- 3.6. The Committee agreed to the recommendation to invest £97m in the London CIV Affordable Housing sub-fund as set out in Appendix 1.

4 BHP Class Action

- 4.1 This report presented issues surrounding Australian based multinational mining company, BHP, which the Fund owned in its equity portfolio. BHP is one of the world's top producers of major commodities including iron ore. In November 2015 a dam operated by a Brazilian iron ore company, Samarco Mineracao, a joint venture part-owned by BHP, collapsed releasing a deluge of toxic waste which killed 19 people and has had a catastrophic impact on the surrounding communities and environment. The report considers joining a class action against BHP led by Grant & Eisenhofer.
- 4.2 It appears that BHP knew or should have known that there was a significant risk the dam would collapse as early as August 2012. Despite that knowledge, BHP failed to "immediately disclose" this risk to investors, as is required under Australian law. Accordingly, claims for the recovery of damages are brought on behalf of investors that acquired BHP Ltd. and/or BHP Plc shares from 8 August 2012 through to 9 November 2015 (inclusive), which cover losses suffered by those shareholders up to and including 30 November 2015.
- 4.3 Vince Impiombato and Klemweb Nominees Pty Ltd, as trustee for the Klemweb Superannuation Fund, are bringing a legal action against Australia-based BHP Group Limited formerly BHP Billiton Limited in the Federal Court of Australia for the District of Victoria. Grant and Eisenhofer (G&E) and Kessler Topaz Meltzer & Check (KTMC) are Funding the litigation.
- 4.4 As funders of the group action Grant & Eisenhofer (G&E) and Kessler Topaz Meltzer & Check (KTMC), having instructed Australian law firm (Phi Finney McDonald), are pursuing a worldwide recovery action in Australia against BHP to recover investor losses. A Statement of Claim was filed against BHP in Australia on 31 May 2018 (Impiombato v. BHP Billiton Ltd. (VID649/2018)) and an amended complaint on 16 August 2019, (Impiombato v. BHP Group Limited).
- 4.5 This class action may be joined by any shareholder that acquired an interest in BHP Ltd shares listed on the Australian, London or Johannesburg stock exchanges between 8 August 2012 and 9 November 2015. It seeks damages for losses suffered up to 30 November 2015. Their group of investors now includes hundreds of institutional investors with total damages well in excess of \$1.5 billion.
- 4.6 G&E and KTMC have formed a joint venture, G&E KTMC Funding LLC, which offers a fully funded litigation option for BHP shareholders who wish to pursue a damages recovery, in exchange for a contingency fee. This is therefore a fully funded litigation option that sets the fee at 18% of the net recovery, after costs and expenses of the litigation. The funding fee will cover all costs for Australian counsel, other litigation, mediation, and settlement costs, and provide full indemnity, through adverse cost insurance or, if necessary, the posting of a bond for the eventuality of an adverse cost award under the Australian rules.

Finance comments of the Executive Director Corporate Services

- 4.7 G&E Law estimate that anticipated recovery will be 30-50% of losses. There is an 18% success fee deducted from the recovery after expenses. G&E Law represent c\$2bn of claimants in this case. The class action has bought adverse costs insurance provided by AmTrust Europe Limited and are also funding costs for local counsel, litigation, mediation and settlement costs at their own risk.
- 4.8 Based on G&E best estimates, and in consultation with their experts, they believe that Camden has recoverable losses of approximately £370k (after deductions for the contingency fee).

Legal comments of the Borough Solicitor

- 4.9 G&E KTMC Funding LLC in conjunction with the litigant of the primary claimant Vince Impiombato have instructed Australian law firm Phi Finney McDonald in relation to the group action against BHP. The said law firm is assumed as the experts on the point of the claim's merits.
- 4.10 LGPS administering authorities have a fiduciary duty to act in the best interests of scheme members and achieving the best financial position for the fund.
- 4.11 There are risks inherent in any litigation however the legal advice would be that the risks have been mitigated by the adverse costs insurance and the funders' indemnity undertaking on costs.
- 4.12 The Council may join the group litigation if the issues of risks and merits have been considered and the decision reached that it is in within the Pension Fund's better interest to join the group litigation as an added claimant.

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- 4.13 The Head of Treasury and Financial Services advised that following the Fundão Dam collapse, a class action lawsuit was brought 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 wished to pursue a damages recovery in exchange for an 18% contingency fee.
- 4.14 Nadai Klein (NK) of Counsel, Grant and Eisenhofer, provided the Committee with an overview of some of the class action work that Grant and Eisenhofer had undertaken. NK 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.
- 4.15 A Committee Member sought assurance that there would be no circumstance under which the Fund would incur a cost. NK 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.
- 4.16 Responding to a follow up question, NK explained that in Australia class action suits are confidential, providing further protection from risk.
- 4.17 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.
- 4.18 One additional benefit of joining the group litigation would be holding the company accountable for the environmental impacts of the dam collapse.
- 4.19 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.
- 4.20 The Committee agreed to the Fund joining the class action led by G&E KTMC Funding LLC and to 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.

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 the Fund works to maximise returns on investment.
- 5.2 At the LAPFF Annual General Meeting and Business Meeting held in October 2023, Councillor McMurdo was reappointed as chair with the vice chairs also remaining (Councillors Chapman and Gray). Councillor Johnson from Camden Pension Committee was also reappointed to the Executive. The LAPFF Annual report entitled "[Now more than ever](#)" was also approved.
- 5.3 A number of issues were discussed at the Business Meeting.
- 5.4 Liability Driven Investment (LDI) – following the publication of the findings of two Parliamentary Committees, one the House of Lords, the other the House of Commons into the liability driven investment bond market crisis of September 2022, LAPFF had prepared its own report looking into the reasons behind the dramatic rise in interest rates. Insufficient collateral, herd behaviour of investors and accounting standards all had a part to play.
- 5.5 Meta and Myanmar - This report looked at the role of Meta's (previously Facebook) algorithms in promoting violence against the Rohingya people in Myanmar. The rise of misinformation, hate speech, and incitement to violence through the platform highlights the potential dangers of Meta's algorithms, and that of technology companies more widely. The report recommended that LAPFF consider different avenues for engagement with Meta, including collaborative engagement.
- 5.6 Asia Research engagement (ARE) - LAPFF joined Asia Research and Engagement's Asia Collaborative Engagement Platform for Energy Transition in April 2021 after a report was presented at the LAPFF Business Meeting. The meeting agreed to membership for one year with a review in January 2025.
- 5.7 Rio Tinto Shareholder resolution - The meeting agreed to support a draft shareholder resolution to Rio Tinto calling for the company to undergo independent water impact assessments.
- 5.8 LAPFF's quarterly engagement report for June to September 2023 gives an overview of the work undertaken in that period.
- 5.9 Environmental Risk was the subject of the most engagement, followed by Climate Change and Human Rights, with other issues such as Supply Chain Management and Employment Standards having lower levels of engagement over the quarter..
- 5.10 LAPFF engaged with global insurers on approaches to decarbonisation and natural resources. Mining and Human Rights engagements continued with Anglo American, BHP, Glencore, Rio Tinto, and Vale and with a new mining company, Grupo Mexico, as LAPFF was approached by community members affected by a 2014 leak at one of the company's tailings ponds in Sonora, Mexico.
- 5.11 LAPFF's chair, Cllr Doug McMurdo, met the chairs of three water companies to ensure that reputational risks and regulatory scrutiny around environmental performance were addressed.
- 5.12 LAPFF met with Volkswagen and Volvo Group, both for the first time, on the issue of how they are addressing the risks associated with mineral sourcing for batteries

for their vehicles and the LAPFF Chair also met the chair of Shell to discuss its unsatisfactory Energy Transition Plan.

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- 5.13 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 is 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.
- 5.14 Lara Blecher (LB), Research and Engagement Partner to LAPFF, provided an overview of the report highlighting that there had been substantial engagement on climate and human rights.
- 5.15 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.
- 5.16 LB confirmed that board composition was engaged on in a wider context however, requests from LAPFF members drive the direction of engagement on issues important to them. 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. LB encouraged Committee Members to raise specific areas of interest when the new LAPFF plan was circulated for comment.
- 5.17 The Committee noted the report.

6 Employer Register

- 6.1 This report 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.
- 6.2 This report updated the Employer Register with the latest available financial statement data and membership numbers including triggers for each of the traffic lights, as laid out in Appendix A (Part II restricted, not for publication).
- 6.3 There are three categories of employer in the data:
 - **Scheme Employers** – bodies whose employees are automatically entitled to participate in the LGPS also known as scheduled bodies (e.g. council employees in England and Wales, an academy established under the 2010 Academies Act etc.)
 - **Community Admission Bodies (CABs)** – mostly not-for-profit charities but can also be bodies representing local authorities. They can be granted the right to participate in the Local Government Pension Scheme LGPS at the Council's discretion.
 - **Transferee Admission Bodies (TABs)** – these are organisations who are contractors and provide services to the Council. They have been granted admission to the Fund by the Council in order to facilitate the contractor's obligation to provide broadly comparable pension rights for Council employees who have transferred employment under TUPE legislation.

- 6.4 The last Community Admission Body admitted to the Fund was in 2006. It was agreed in February 2012 that any further admissions of community admission bodies would be referred to this Committee.
- 6.5 The employer register, forming Appendix A, includes refreshed data, where possible, since the last employer register was reported (November 2022). This includes updated membership and triennial valuation data (columns 4 – 12), financial accounts information (Columns 13 – 26) and Traffic light trigger data (27-56).
- 6.6 The full list of employers in the Fund and their respective contribution rates can be found in the [Rates and Adjustments certificate](#) and can be downloaded from the Pensions website.
- 6.7 The Pensions Shared Service (PSS) continued to operate effectively with a dedicated and experienced Employer team. Important considerations for the Employers Team are good communications and data integrity. It is for this reason that the PSS has introduced enhanced software called 'i-connect', an online portal assists employers to return accurate and consistent data and the Employer Relationship Module which will hold key contact data and facilitate effective and targeted communications.

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- 6.8 The Committee noted the report.

7 LCIV Report

- 7.1 This report provides a quarterly update on developments at the London Collective Investment Vehicle (LCIV) in creating sub-funds for the spectrum of asset classes, on-boarding of assets and development of LCIV'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).
- 7.2 As of 30 September 2023, the total assets deemed pooled by Client Funds stood at £27.4 billion, of which £13.4 billion are public markets (Authorised Contractual Scheme (ACS)) funds in Assets Under Management (AUM) managed by London CIV, and £12.6 billion in passive equity funds. £1.4 billion has been drawn in respect of Private Market funds with a further £2.6 billion committed.

FUND ACTIVITY

Short-term

- 7.3 LCIV were planning for the launch of the LCIV Long/ Short Duration Buy & Maintain Credit Fund in November 2023 with an FCA review expected to have concluded by then.
- 7.4 LCIV were also undergoing discussion with potential seed investors for the Global Equity Value Fund and were in the process of selecting a second investment manager for the LCIV UK Housing Fund.
- 7.5 Redington had been appointed as an advisor through a competitive procurement process for the Natural Capital Fund, working with LCIV on project planning and design and a review of sustainability and climate guidelines for the LCIV Global Bond Fund and LCIV MAC Fund.

- 7.6 The ACS quarterly investment reports had been sent out in October and the Sustainable Working Group was set to have its first meeting.

Medium-term

- 7.7 An Investment cost review and fund range review were completed and had fed into the launch and modifications plan and funding model with the Cost Transparency Working Group (CTWG).

Fund monitoring

- 7.8 As at October 2023, there were no funds on the Watch list for LCIV. 4 funds were 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) and LCIV Global Equity Fund (Newton). The next review for the DGF sub-fund was scheduled for December 2023.
- 7.9 The other LCIV funds were undergoing Normal Monitoring. Reviews were completed in Q3 and October 2023 on 5 LCIV funds including the Global Alpha Growth Paris Aligned Fund (Baillie Gifford) and LCIV Global Bond Fund (PIMCO) which we are invested in.

Fund launches

- 7.10 In terms of new fund launches, a Buy and Maintain Fund had now obtained Financial Conduct Authority (FCA) approval and seed investment was expected to occur before the end of 2023. The Global Equity Value Fund was in Stage 1 for a Q1 2024 first launch, with Seed Investment Groups (SIGs) in progress and was at manager selection stage. The launch was dependent on securing at least two seed investors (currently earmarked to be the London Borough of Newham and London Borough of Hillingdon).
- 7.11 Natural Capital: Redington had been appointed as the consultant to assist LCIV in delivering a nature-based solutions fund in H1 2024. Natural capital education session for pension officers was held on 7 November with placeholders for the first SIG for 21 November and 5 December.

Other fund activity

- 7.12 LCIV had been discussing a revised funding methodology with the CTWG and it had been agreed that sharing of manager fee savings was appropriate in being able to reduce the Development Funding Charge.

Minutes

- 7.13 The Committee noted the report.

8 Business Plan

- 8.1 This report updated the Pension Committee on future business items and training attended and opportunities.
- 8.2 The forward plan had 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.
- 8.3 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
- 8.4 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.
- 8.5 Each committee meeting receives an update on training modules covered. To date, 3 committee members had completed 6 modules and 2 Pension Board members had completed 10 modules.
- 8.6 Ongoing training helps the members of the Pension Committee to undertake their role more effectively and provides additional context to their decision-making for the Fund. This all aids informed decision making and an understanding of the complex issues that are involved in these decisions and helps to drive forward the Fund's approach to responsible investment.

Minutes

- 8.7 The Head of Treasury and Financial Services informed members of the following:
- A meeting with Investment Managers, CBRE & Partners, was scheduled to take place on 22 February 2024.
 - There would be a review of the voting policy at the next meeting of the Committee which was scheduled for 5 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 7 to 9 December 2023.
- 8.8 The Committee noted the report.

9 PENSION COMMITTEE 5 MARCH 2024

No minutes available at this point. They will be received and agreed at the July 2024 meeting.

10 Performance Report

- 10.1 This report presents the performance of the Pension Fund investments up to 31 December 2023 and since manager inception. As shown in Table 1, the portfolio had a market value of £2.018bn at 31 December 2023, which represents an increase of 4.3%, or £83.1m, over the quarter.

TABLE 1: PORTFOLIO SUMMARY

Manager	Mandate	Target	Date Appointed	Value 30/09/23	Value 31/12/23	30/09/23	31/12/23
Baillie Gifford (LCIV)	Global Equity	+2-3%	01/12/16	£220m	£238m	11%	12%
Harris	Global Equity	+2-3%	14/05/15	£184m	£98m	10%	5%
L&G	Global Equity	0%	10/08/11	£418m	£445m	22%	22%
L&G	Future World Global Equities	0%	01/02/21	£290m	£311m	15%	15%
CQS & Pimco (LCIV)	Multi Asset Credit	4-5%	01/05/19	£231m	£245m	12%	12%
L&G	Index Linked Gilts	0%	17/03/09	£60m	£153m	3%	8%
Stepstone	Infrastructure	8-10%	31/10/19	£85m	£96m	4%	5%
Partners	Global Property	15%	04/06/10	£83m	£75m	4%	4%
CBRE	UK Property	+1%	26/07/10	£84m	£85m	4%	4%
Aviva (LCIV)	UK Property	1.5-2%	10/12/21	£70m	£68m	4%	3%
						0%	0%
HarbourVest	Private equity	+8%	28/07/16	£55m	£49m	3%	2%
Baillie Gifford (LCIV)	Diversified Growth	+3%	23/03/22	£84m	£90m	4%	4%
Cash & other				£69m	£66m	4%	3%
Fund				£1,935m	£2,018m	100%	100%

- 10.2 In Q4 2023, global markets generally showed strength despite pressure from the Israel and Hamas conflict which started in October and disrupted the geopolitical landscape. The US reported its strongest GDP growth in nearly two years while the economic data throughout Europe and China was mixed. In the UK, despite inflation reducing, tax cuts and updated welfare benefits announced in the Autumn statement, the economic outlook was downbeat with GDP growth expected to be flat or only seeing slight improvement in 2024.
- 10.3 UK equities underperformed Global equities due to downbeat news on economic growth. Emerging markets equities also underperformed mainly due to China, where policy meetings offered pro-growth signals but lacked specific plans to achieve this. In the one year and three year periods most equity markets had shown very positive increases (>+10%).

- 10.4 UK gilts yields fell from 4.44% to 3.6% and so prices rose over the fourth quarter of 2023. Commodity price reduction was significantly driven by falling energy costs. UK property continues to experience worsening price trends especially in the UK housing market.
- 10.5 The current asset allocations compared to target weights are set out in Table 2 below. The July 2023 Investment Strategy Review recommended reducing equity and increasing exposure to index-linked gilts, Multi-asset credit, affordable housing and infrastructure. This transition has been split in four phases as follows (phase 1 transacted in December and phases 2 and 3 were executed on 31 January) after the quarter end and so are not reflected in these numbers. The phases are structured:
- Phase 1 Sell Harris (active equity) and buy Index-Linked Gilts (L&G) – Dec 23**
 Sell £92m Harris; Buy £84m Index-linked gilts
- Phase 2 Baillie Gifford (active equity), buy Multi Asset Credit (CIV) – Jan 24**
 Sell £94m Baillie Gifford; Buy £62 Multi-Asset Credit
- Phase 3 invest in Affordable Housing – Jan 24**
 £97m commitment
- Phase 4 Infrastructure – decision at March Pension Committee**
 £92m commitment
- 10.6 The Fund was overweight to equity but had reduced dramatically from c65% to 54% currently. Phase 2 of the transition, reducing equity by £94m with Baillie Gifford would reduce this allocation (to c50%). Bonds were 20% against a 23% target but with £62m (3%) imminently set to add to this asset allocation this will mean bonds will be on target.

TABLE 2: ASSET CLASS ALLOCATIONS

	Value as at 31 Dec 23	Current Weight %	Target Weight %
Baillie Gifford (LCIV)	£238m	12%	
Harris	£98m	5%	
L&G Global passive	£445m	22%	
L&G UK passive / Future World Global Equities	£311m	15%	
Equity	£1,091m	54%	45%
CQS (LCIV)	£245m	12%	
L&G Ind.Lkd Gilts	£153m	8%	
Bonds	£398m	20%	23%
CBRE	£85m	4%	
Partners Group	£75m	4%	
Aviva (LCIV)	£68m	3%	
Property	£228m	11%	11%
HarbourVest	£49m	2%	
Private Equity	£49m	2%	2%
Stepstone (LCIV)	£96m	5%	
Infrastructure	£96m	5%	9%
Ruffer (LCIV)	£0m	0%	
Baillie Gifford (LCIV)	£90m	4%	
Standard Life	£0m	0%	
DGF	£90m	4%	5%
Affordable Housing	£0m	0%	5%
Cash & other	£66m	3%	0%
TOTAL	£2,018m	100%	100%

10.7 The performance of the Fund is set out below:

TABLE 3: MANAGER PERFORMANCE VS TARGET

Investment Manager	Trailing 3 Months	Trailing 1 Year	Trailing 2 Years	Trailing 3 Years	Since Inception
Harris	2.5	13.7	4.5	9.5	10.2
Global Equities (Gross) + 2.5%	7.1	18.8	6.0	11.5	13.9
Excess Return	-4.6	-5.0	-1.5	-2.0	-3.8
Baillie Gifford (London CIV)	8.1	11.6	-5.9	-1.3	10.2
Global Equities (Gross) +2.5%	7.1	18.8	6.0	11.5	13.3
Excess Return	1.0	-7.2	-11.9	-12.7	-3.0
L&G Future World global equity	7.1	16.5	2.9	-	5.7
Solactive L&G ESG Global Markets	7.0	16.2	2.6	-	5.4
Excess Return	0.1	0.4	0.3	-	0.3
L&G global equity	6.4	15.7	3.6	8.8	12.3
FTSE All-World + 0%	6.3	15.7	3.6	8.8	12.3
Excess Return	0.0	0.0	0.0	-0.0	-0.0
CQS & PIMCO (LCIV)	5.9	11.2	1.2	2.9	2.8
3 Month SONIA +4.50%	2.4	9.6	8.0	6.9	6.2
Excess Return	3.5	1.7	-6.8	-3.9	-3.4
L&G passive ILG	9.7	-0.6	-22.0	-14.1	3.9
FTSE > 5yr Index Linked Gilts + 0%	10.4	-0.5	-21.6	-13.9	3.8
Excess Return	-0.7	-0.1	-0.4	-0.2	0.1
CBRE	-2.0	-9.6	-4.8	1.4	5.7
All Balanced Property Funds + 1%	-0.9	-0.4	-4.6	3.1	6.6
Excess Return	-1.1	-9.1	-0.2	-1.7	-0.9
Partners 2009 Euro fund	-11.0	-19.9	-4.4	-2.1	5.4
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-14.5	-34.9	-19.4	-17.1	-9.6
Partners 2013 USD fund	-12.0	-19.7	-5.5	-1.5	8.2
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-15.6	-34.7	-20.5	-16.5	-6.8
Partners 2017 USD fund	-9.1	-15.2	0.9	5.5	4.7
Absolute 15%	3.6	15.0	15.0	15.0	15.0
Excess Return	-12.7	-30.2	-14.1	-9.5	-10.3
HarbourVest	-7.8	-1.9	4.6	20.2	21.2
Absolute 8%	1.9	8.0	8.0	8.0	7.9
Excess Return	-9.7	-9.9	-3.4	12.2	13.3
Stepstone (London CIV)	5.3	4.8	10.1	7.6	4.5
9% p.a net	2.2	9.0	9.0	9.0	8.8
Excess Return	3.1	-4.2	1.1	-1.4	-4.4
Aviva (London CIV)	-1.0	-11.5	-12.1	-	-11.6
RPI + 1.75%	0.6	7.0	11.1	-	11.3
Excess Return	-1.6	-18.5	-23.2	-	-22.9
Baillie Gifford Diversified Growth Fund (LCIV)	6.9	4.7	-	-	-2.9
SONIA +3.5%	2.2	8.3	-	-	7.0
Excess Return	4.8	-3.6	-	-	-9.9
Total Fund	4.4	8.1	-0.6	4.0	8.6
Total Fund Composite Target	4.2	11.5	5.4	8.5	10.6
Excess Return	0.2	-3.4	-6.0	-4.4	-2.0

- 10.8 **Harris** underperformed against target. For the quarter it had underperformed target by -4.6%, and their one-year return had also underperformed against target (-5.0%). The worst detractor was Worldline due to weaker than expected company results brought about by the negative headwinds from the German economy and impact of new regulatory standards. The top performer was Capital One financial due its strong third quarter results.
- 10.9 **Baillie Gifford (LCIV)** overperformed against target for the quarter by 1% however had also underperformed against the one-year benchmark by -7.2% and in the 2 and 3 year periods is -12% behind target. Three out of five top detractors were stocks that had direct exposure to China or had an indirect exposure to Chinese consumers. Shopify and Meta were the top performing stocks in the portfolio due to a focus on reducing costs and improving efficiencies. LCIV still have Baillie Gifford on normal monitoring.
- 10.10 **Legal & General** equities tracked their benchmarks in the quarter as expected. 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.
- 10.11 **Legal & General's future world global fund** slightly overperformed against target for the quarter and one year benchmark by +0.1% and +0.4% respectively. The top sector holding was financials with 18.1% and top equity holding was Shell accounting for 8.5% of the fund.
- 10.12 **CQS & PIMCO (LCIV)** outperformed against target for the quarter by +3.5% and had also outperformed against the one-year target by +1.7%. LCIV had recently reported to clients the CQS announcement that Manulife Financial Corporation, a Canadian public insurance, wealth and asset management business would acquire 100% of the firm. The transaction was subject to regulatory and shareholder approval and expected to close in Q1 2024. CQS had a difficult 2022 being -14.5% behind target but this reversed in 2023 with +3% out performance against target. Against their peers CQS have been top or 2nd quartile over various timeframes from year to date out to 10 years. Based on LCIV's review, the manager remains on normal monitoring status.
- 10.13 **CBRE** underperformed against the quarter and one year target by -1.1% and -9.1% respectively. Significant detractors in the quarter were the Standard Life, Fiera, Ardstone and Curlew student funds.
- 10.14 **Partners Group** funds' performance deteriorated over Q3 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:
- i. The 2009 Euro fund had underperformed the target by -14.5% over Q3 2023 and was -9.6% below its ambitious target since inception. This fund is fully invested.
 - ii. The 2013 Dollar fund's performance had dropped in Q3 2023 and registered -19.7% over the previous twelve months. Since inception, the fund had returned +8.2% per annum compared to its target of 15.0%. This performance was mainly due to the decrease in the valuation of project Whetstone – US office portfolio driven by headwinds impacting the office sector and interest rates increases.

- iii. The 2017 Dollar fund, the newest of the three funds, also suffered lower returns in the quarter, a fall of -9.1%, -12.7% below the target for the quarter. Since inception, it had achieved +4.7% growth against an ambitious 15% target. This poor performance reflected downward pressure on office properties in the portfolio as capital markets continued to present major headwinds.

- 10.15 **HarbourVest** investment fund significantly underperformed against target for the quarter by -9.7% but and had also underperformed against target for one year by -9.9%. The largest three underlying investments in this fund were Figma Inc and Web application for interface design based in the US, Roland Foods – also based in the US and Solace systems manufacturer of message-oriented middleware appliances and Odoo based in Belgium.
- 10.16 **Stepstone (LCIV)** increased in value (5.3%) over the quarter, +3.1% above the target but these figures lagged by three months, as is typically the case with private market investments. The portfolio expansion was ongoing as the fund approached the conclusion of its ramp-up phase and most of the portfolio was now operational. The increase on net asset value was driven mainly by capital call activity as well as unrealised gains on investments offset by investment income distributions.
- 10.17 **Aviva (LCIV)** received initial investment from the Fund in December 2021. Performance over the quarter saw a fall of -1.0% and heavily underperformed the target over twelve months by -18.5%. The quality of the Fund's income – rated BBB with an average term of 22.2 years and 98% inflation-linkage – remains strong. Its performance is not formally assessed until after the end of the four-year ramp up period which will be June 2024. Poor current performance was due to the fund's sensitivity to volatile gilt movements, weaker outlook for the property market and concerns over covenant strength. The UK real estate markets remained flat across Q2 2023.
- 10.18 **Baillie Gifford Diversified Growth Fund (LCIV)** out-performed against the Q4 target by +4.8%, however they underperformed against the one year target by -3.6%. The status of LCIV Diversified Growth Fund was downgraded to 'Enhanced Monitoring' in December 2022. This rating was confirmed in July 2023 and LCIV kept the Sub-fund on 'Enhanced' monitoring in January 2024.

FOSSIL FUEL EXPOSURE

- 10.19 All investment managers were asked about the Fund's exposure to fossil fuels in general and a table was prepared for the Committee showing the results for all the Fund's investment managers at 31 December 2023.
- 10.20 In 2012 the Fund had 7.2% of its equity assets invested in fossil fuels. In the report to the December 2023 Committee the fossil fuel proportion of all assets was 2.2% and this had now decreased slightly to 2.1% as at 31 December 2023.
- 10.21 The Committee noted the report.

11 Infrastructure investment

- 11.1 This report has been taken in full.
- 11.2 The Committee agreed to the recommendation to commit £76m to the London CIV Infrastructure sub-fund managed by Stepstone and to delegate all matters relating to this action to the Executive Director Corporate Services.

12 Engagement Report

- 12.1 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 the Fund works to maximise returns on investment. .
- 12.2 LAPFF produce a Quarterly Engagement Report (QER) to give an overview of the work they have undertaken. In March 2024, the Committee were provided with a report for October to December 2023.
- 12.3 Climate Change had been the subject of the most engagement, followed by Environmental Risk, Human Rights and Supply Chain Management, with other issues such as General Governance having lower levels of engagement over the quarter.
- 12.4 The QER for October to December discussed a number of important issues and some of these issues are summarised in the following paragraphs.
- 12.5 **Climate Strategy** - LAPFF's understanding on climate change had evolved recently, which lead them to fundamentally question the standard approach to climate change and to review their priorities and activities accordingly. LAPFF's key insight is that the current standard approach to climate change (emissions-focused) needs to evolve to one which considers climate change as a challenge of systematic change at companies.
- 12.6 **UK Climate Policy** – LAPFF's report sets out some recommendations for climate policy in the UK. LAPFF is concerned that the removal of key long-term targets, support for new fossil fuel projects and what it sees as the mismanagement of the last offshore wind auction risk undermining the UK's international business reputation and the confidence of investors.
- 12.7 The report concluded that UK climate policy should be reset to ensure the UK economy is not left behind as other countries are pushing ahead and increasing their actions on climate.
- 12.8 **Carbon Capture and Storage (CCS)** - LAPFF's 2020 paper highlighted the risk that CCS's contribution to emissions reduction is being overplayed to keep fossil fuels in the energy system for as long as possible despite alternative and cheaper decarbonisation pathways. This report sets out how little has changed since then.
- 12.9 **Capital Markets Working Group** - it was agreed at the June 2023 LAPFF Executive Meeting that a Capital Markets working group be set up.
- 12.10 The working group will focus on the governance of regulation. Recommendations from the Group will be presented at subsequent meetings of the LAPFF Executive Meetings for consideration.
- 12.11 **Double Materiality, ESG, financial issues and standards** – the International Sustainability Standards Board – which sets Environmental, Social and Governance (ESG) standards has come under the ambit of the International Accounting Standards Board (IASB). LAPFF has for over a decade had problems with the model that the IASB which is not a publicly accountable body, and it is self-appointing. Problems have been identified with the poor standards and reaction time in rectifying defects before and after the banking crisis. The IASB has been implicated in company collapses including Carillion, Enron, and banks.

- 12.12 Double materiality is the concept that it is not just climate-related impacts on the company that can be material but also impacts of a company on the climate.
- 12.13 LAPFF agreed to note the paper and that questions of materiality are raised in meetings with companies.
- 12.14 **Draft Workplan** – the draft LAPFF workplan sets out a range of current and anticipated company and policy engagement areas for the coming year.
- 12.15 Climate risk continues to feature prominently and the scope of work concerning human rights has been broadened to include a greater focus on humanitarian considerations and conflict affected areas. There is specific work relating to executive remuneration and considerations on artificial intelligence impacts on human rights.
- 12.16 The QER discusses LAPFF's engagement with companies like National Grid, BP, Persimmon, Nestle, Chipotle and TJX Companies on climate issues. Human rights engagements were undertaken with Glencore, Grupo Mexico, SAP, Ford, Renault and Mercedes.
- 12.17 The Committee noted the report.

13 **Voting Annual Review**

- 13.1 This report reviews the proxy voting carried out on behalf of the Pension Fund in 2023 for all shares directly owned by the Fund. Our voting is carried out by Pensions & Investment Research Consultants Ltd (PIRC).
- 13.2 The Fund's bespoke voting policy is agreed annually in advance of the voting season in Spring each year.
- 13.3 The PIRC report, presented as Appendix A, analysed the voting carried out during the 2023 calendar year.
- 13.4 The report analysed the voting data in terms of regions, meeting types, categories of resolutions, as well as looking at trends and hot topics for voting during the year. Some of the key headlines from Appendix A are:
- The Fund voted on 10,605 resolutions during the year (9,941 in 2022) at 679 meetings.
 - 90.3% of the meetings were in the UK, 5.9% in Europe and 3.1% in North America.
 - The Fund voted "for" resolutions 7,161 times (68% down from 70% in 2022) and opposed 3,444 votes (32%).
 - In the UK the Fund voted against 597 or 16% of **director resolutions** and outside the UK voted against 37% of directors.
 - In the UK the Fund opposed 57% (164 out of 287) **remuneration reports**.
 - The Fund opposed 70% (365 out of 525) **auditor appointments** in the UK.
 - **Gender diversity** is one area that has shown significant consistent improvement since 2015, following the Davies and Hampton-Alexander reviews. Camden opposes the chairs of nomination committees where female representation is below 33% or no statement is given committing to the target.

- **Gender pay gap** - in OECD countries the average gap is 11.9% between men and women. In Office for National Statistics estimates that in 2022 it was 8.3%. PIRC calculate that in the FTSE 350 the gap is 17.6% and in S&P 500 companies it is 19%.
- **CEO pay ratios** – 69 out of 254 FTSE 350 companies had CEO pay ratios higher than the 20:1 policy. This was a fall from 75% of companies in 2022 to 27 and this represents a significant fall.

13.5 The Committee noted the report.

14 **Voting Policy**

- 14.1 This report sets out the proposed guidelines and forms the policy on which the Fund will vote its shares held in underlying investments.
- 14.2 Camden Pension Fund has appointed PIRC as corporate governance advisor. The Voting policy was last reviewed in March 2023. As with the previous year, the proposed voting policy also fully incorporates the Local Authority Pension Fund Forum (LAPFF) voting guidelines, which the Fund is an active member of.
- 14.3 Over the past year PIRC have voted the Fund's shares in line with the policy agreed by Camden in March 2023.
- 14.4 Under the terms of the contract, PIRC will continue to offer a bespoke voting solution to Camden, which will ensure that the votes cast fully reflect the opinions of the Fund.
- 14.5 The proposal for the 2024 Camden voting policy statement from PIRC was detailed in Appendix A. The policy is split into three subsections: UK and Ireland, Global and United States of America. These changes can be summarised as follows:

Green-House Gas reduction targets

- 14.6 The current policy opposes companies that fail to sufficiently quantify carbon emissions in their annual reports or equivalent disclosures.
- 14.7 Moving forward, it is proposed that the voting policy opposes companies that do not explicitly disclose quantitative carbon emissions (scope 1, 2, and 3) for the last two years. In the future this may be extended from two up to a five-year span.

United Kingdom & Ireland

Receive Annual Reports

Resolution/Issue	Voting Outcome	Comment/Exceptions
Receiving Annual Reports	OPPOSE	<ul style="list-style-type: none"> The Company does not adequately quantify carbon emissions in its annual report (or equivalent) for the three years. It is recommended Camden oppose resolutions related to receiving the annual report.

DIRECTOR (RE-) ELECTION

Resolution/Issue	Voting Outcome	Comment/Exceptions
SUSTAINABILITY COMMITTEE CHAIR OR CHAIR OF BOARD OR CEO	OPPOSE	<ul style="list-style-type: none"> Where the company does not disclose its carbon emissions quantitatively (Scope 1, 2, and 3) for last three years.

Election of Nomination Committee Chair

- 14.8 The Fund expects companies to discuss diversity at all levels and particularly to acknowledge the Parker review. In all of its engagement with Fund Managers the Committee has been clear that it expects to see gender diversity at all levels in a company.
- 14.9 It is proposed to oppose the re-election of the nomination committee chair in a FTSE 250 company (or the Chair of the board in the absence of the former) for lack of disclosure on progress in line with the Parker Report.

DIRECTOR (RE-) ELECTION

Resolution/Issue	Voting Outcome	Comment/Exceptions
Nomination Committee Chair	OPPOSE	<ul style="list-style-type: none">When considering the current state, the progress report on the recommendations outlined in the Parker report (2016), aimed at enhancing the ethnic and cultural diversity of UK boards, is not considered sufficient. Consequently, it is recommended that Camden oppose the chair of the nomination committee.

Designated Non-Executive Directors (NEDS)

- 14.10 PIRC is in principle in favour of designated NEDs and has already implemented a policy covering this role. The default PIRC position is currently to only oppose on matters related to attendance, or failures of the company to address serious employee concerns. The majority of abstentions for designated non-executives have been recommended owing to a company's lack of disclosure regarding COVID-19 cases or fatalities amongst the workforce, which as a designated employee director is considered to be a failure in reporting for employee issues.
- 14.11 It is proposed that Camden opposes the following: Designated NEDs who have been selected among the company's management; Designated NED where the company has undergone significant labour relations disruptions or unrest during the year (indication that the designated NED has not fulfilled their function sufficiently well).

DIRECTOR (RE-) ELECTION

Resolution/Issues	Voting Outcome	Comment/Exceptions
DESIGNATED NED	OPPOSE	<ul style="list-style-type: none">It is considered that a worker's representative should be chosen by the employees of the company, rather than being appointed by a Non-Executive Director for workforce engagement. In instances where there is no stated intention to implement an Employee Director nominated by peers, standing for election at the AGM, support for the Designated Director for Workforce Engagement will not be given.

Audit Committee Chair

- 14.12 When there is no external whistle-blowing hotline, this suggests that concerns that should be raised by a whistle-blower are dealt with internally. This may increase the risk of these issues not being followed up or escalating to a level where the higher the level of misconduct, the more likely the issue is to be concealed. The Chair of the audit committee is considered accountable for the whistle-blowing reporting structure.
- 14.13 A change is proposed to the Camden voting policy so that the election of the Audit Committee Chair is opposed where there is no external whistle-blowing hotline.

Resolution/Issues	Voting Outcome	Comment/Exceptions
ELECTION OF AUDIT COMMITTEE CHAIR	OPPOSE	<ul style="list-style-type: none">There is no external whistleblowing hotline.

- 14.14 The Committee approved the proposed voting policy on which Camden will vote its shares as set out in Appendix A of the report.

15 Carbon Footprint report

- 15.1 Carbon footprints measure the carbon equivalent tonnage of greenhouse gases which impact on global warming within the portfolio. The Fund is concerned about climate change and how this might impact investments. This report updates on the Carbon Footprint of the Pension Fund's equity and bond assets.
- 15.2 Camden is a leading local authority on the climate agenda. The Council have committed to do all that it can to make Camden a zero-carbon borough by 2030, twenty years ahead of national targets set within the UK Climate Change Act.
- 15.3 In 2018, the **Intergovernmental Panel on Climate Change (IPCC)** highlighted the unprecedented scale of the challenge required to keep warming to 1.5°C. Five years later, that challenge has become even greater due to a continued increase in greenhouse gas emissions. The pace and scale of what has been done so far, and current plans, are insufficient to tackle climate change.
- 15.4 More than a century of burning fossil fuels as well as unequal and unsustainable energy and land use has led to global warming of 1.1°C above pre-industrial levels.
- 15.5 The latest IPCC report in 2023 brings in to sharp focus the losses and damages we are already experiencing and will continue into the future, hitting the most vulnerable people and ecosystems especially hard.
- 15.6 The IPCC said that solution lies in climate resilient development involving integrating measures to adapt to climate change with actions to reduce or avoid greenhouse gas emissions in ways that provide wider benefits.
- 15.7 The IPCC set out that there is sufficient global capital to rapidly reduce greenhouse gas emissions if existing barriers are reduced. Increasing finance to climate investments is important to achieve global climate goals. Governments, through public funding and clear signals to investors, are key in reducing these barriers. Investors, central banks and financial regulators can also play their part.
- 15.8 A carbon footprint is a useful quantitative tool that can inform an organisation's broader strategy towards climate change within investments, and report on the proportional amount of an investment portfolio's emissions. Measurement of the carbon footprint of a portfolio allows comparison to global benchmarks, identify priority areas and actions for reducing emissions, and track progress in making those reductions.
- 15.9 The Camden Pension Fund has been reporting on its carbon footprint annually since 2017, with this report being the seventh report to the Pension Committee.
- 15.10 In addition to monitoring its carbon footprint and exposure to carbon emitting investments, the Fund is an active member of the Local Authority Pension Fund Forum (LAPFF). LAPFF presses companies to align their business models with a 1.5 degree scenario and pushes for an orderly net-zero carbon transition.
- 15.11 Engagement lies at the heart of Forum's work with companies as LAPFF considers engaging with companies can deliver positive change. Outcomes from these engagements are disclosed publicly in the LAPFF Annual and Quarterly Engagement Reports.
- 15.12 The Pension Fund includes a specific risk in its **risk register** that "Fossil Fuel linked investments suffer losses due to stranded assets and reputational damage". The actions taken to mitigate this risk include:

- participation with LAPFF to engage with fossil fuel companies and boards and continue work in this area including through collaborative initiatives such as Climate Action 100+, strategic resilience resolutions, and managed decline of fossil fuel extraction.
- continued engagement with Fund managers to ensure climate change and stranded asset issues are acknowledged and dealt with by boards.
- continued use of voting policy to support strategic resilience resolutions (with LAPFF voting alerts) and appropriate measures with respect to climate change.
- to measure the Fund's carbon footprint to better understand the exposure to fossil fuels, and to look to enhance this in future, including the use of TCFD-compliant reporting.

The Task Force for Climate-related Financial Disclosures

- 15.13 Task Force for Climate-related Financial Disclosures (TCFD) was convened by the Financial Stability Board in 2015 to “develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding material risks”.
- 15.14 The TCFD published its [final report in June 2017](#), designed to help companies provide better information to support informed capital allocation setting out overarching recommendations in four thematic areas: governance; strategy; risk management; and metrics and targets. Beneath these sit 11 recommended disclosures that provide more granular detail on the information to be disclosed under each of the recommendations:

TABLE 1 TCFD Recommendations and disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

- 15.15 The design and structure of the recommendations are intended to provide the market with decision-useful, forward-looking information on how organisations are addressing climate-related risks and opportunities in their activities.

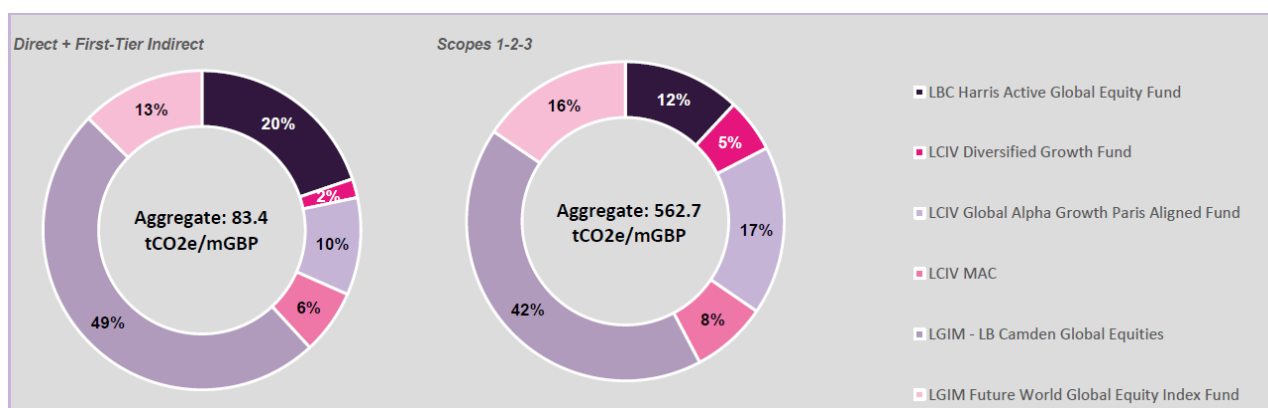
- 15.16 In November 2020 the Chancellor of the Exchequer announced that the UK intended to introduce fully mandatory climate-related financial disclosure requirements across the economy by 2025, using the TCFD framework, while a significant proportion of the mandatory disclosure requirements would be in place by 2023.
- 15.17 The Department of Levelling-Up, Housing & Communities (DLUHC) consulted on the implementation of mandatory TCFD-aligned reporting in the local government pension scheme (LGPS). The London CIV responded, broadly agreeing with Government's proposals but highlighting some of the costs that may be borne by administering authorities.
- 15.18 The Camden Pension Fund are supportive of the proposals and will aim to introduce the disclosures ahead of the mandated timeline. The Fund will introduce TCFD-aligned reporting on its investments as far as possible and the metrics in the appendix will support that work. In June 2023 DLUHC wrote to the Scheme Advisory Board to confirm that the Government will not be implementing any requirements related to the governance or disclosure of climate-related financial risks for the financial year 2023/24.
- 15.19 The Fund has commissioned the London CIV's Climate Analytics team to produce a series of reports, appended to this report, on the climate related concerning the Carbon Footprints of all our equity and bond managers. This is in addition to the climate reporting supplied by the managers themselves and is TCFD-compliant. These reports were produced using data available as at 30 June 2023.

Carbon Footprint methodology

- 15.20 A carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO_{2e}). The 'carbon dioxide equivalent' (CO_{2e}) allows the different greenhouse gases to be compared on a like-for-like basis relative to one unit of CO₂. The CO_{2e} is calculated by multiplying the emissions of each of the six greenhouse gases by its 100 year global warming potential (GWP).
- 15.21 A carbon footprint considers all six of the Kyoto Protocol greenhouse gases: Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur hexafluoride (SF₆).
- 15.22 Carbon footprints are measured with reference to 3 scopes:
- Scope 1 - direct greenhouse gases (e.g. fuel combustion, company vehicles).
 - Scope 2 - indirect greenhouse gases from the consumption of purchased electricity and other sources of energy.
 - Scope 3 - indirect emissions not directly owned or controlled by the organisation (e.g. travel to work, third party distribution and logistics, production of purchased goods etc).
- 15.23 The **London CIV** have analysed all of Camden's equity and bond portfolios as part of their **Climate Analytics** service and their reports formed the appendices to this report.
- 15.24 Table 2 provides an overview of the whole Fund and shows the direct and first tier indirect carbon intensity of 83.4 tCO_{2e}/£m (81 last year). The scope 1-3 carbon intensity is 562.7 tCO_{2e}/£m (429 last year). On both indicators the Fund's metrics are higher than in 2023 compared to 2022 but this is true for the benchmark too. Some reasons that the CIV have given for this are improved measurement and

transparency with data from companies getting better at tracking and reporting scope 3 emissions.

Table 2 Carbon Intensity (tCO₂e/£m)



- 15.25 The Implicit temperature of the Fund is not currently aligned with the objectives of the Paris agreement being graded as <3°C which is the same rating as last year.
- 15.26 Table 3 shows the fund-level summary by manager with the highest scope 1-3 level being the LCIV Baillie Gifford DGF having 1553 tCO₂e/£m (well above the index average of 605 tCO₂e/£m). Both the Multi Asset Credit fund (876 tCO₂e/£m) and the L&G global equities (674 tCO₂e/£m) are highlighted as amber having figures greater than their index averages.
- 15.27 In terms of fossil fuel exposure Harris has the largest exposure of 3.4% of its fund (largely due to holding ConocoPhillips) and the Multi asset credit fund has 4.2%. Looking at the MAC holding and top contributors to the fossil fuel number this is due to a energy sector dominance (continental resources, occidental petroleum, Delek, EQT, Tullow oil Valaris, Harbour energy, Cheasepeake and Narbos).
- 15.28 Table 3 also shows the implied temperature of each manager with the only manager that is red “>3°C” being the Multi Asset Credit fund (LCIV). Last year both the MAC fund and the L&G global equity funds were red (>3%).
- 15.29 As expected the climate aware funds (LCIV global alpha growth Paris-aligned fund and L&G Future World Fund have lower carbon footprints and fossil fuel exposures (showing three out of four green ratings each).

Other mandates

- 15.30 The full report to Pensions Committee also included comments on TCFD and climate related reporting from Camden’s other mandates not covered by the LCIV Climate Analytics service i.e. HarbourVest, Partners Group, CBRE, Aviva and Stepstone.
- 15.31 The Committee noted the report.

Table 3: Climate risk dashboard

	Coverage (%)	Direct + First-Tier Indirect C/V (tCO2e/mGBP)	Scopes 1-2-3 C/V (tCO2e/mGBP)	Fossil Fuel Exposure (%)	Implied Temperature (°C)
LBC Harris Active Global Equity Fund	97.2%	111	451	3.4%	<2°C
<i>MSCI ACWI Index</i>		111	657	2.3%	<3°C
LCIV Diversified Growth Fund	26.6%	81	1553	0.6%	<2°C
<i>MSCI World</i>		94	605	2.4%	<3°C
LCIV Global Alpha Growth Paris Aligned Fund	99.0%	42	488	0.0%	<3°C
<i>MSCI World</i>		94	605	2.4%	<3°C
LCIV MAC	25.0%	110	876	4.2%	>3°C
<i>Bloomberg Global Aggregate Corporate Total Return Index</i>		0	0	3.1%	<3°C
LGIM - LB Camden Global Equities	99.0%	116	674	2.3%	<3°C
<i>MSCI ACWI Index</i>		111	657	2.3%	<3°C
LGIM Future World Global Equity Index Fund	99.0%	45	376	0.9%	<3°C
<i>MSCI ACWI Index</i>		111	657	2.3%	<3°C

16 London Collective Investment Vehicle Progress Report

- 16.1 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.
- 16.2 As of 31 December 2023, the total assets deemed pooled by Client Funds stood at £29.4 billion, of which £14.3 billion are public markets funds, £15.9 billion in passive equity funds and £1.4 billion in Private Market funds, with a further £2.7 billion committed.

Fund monitoring

- 16.3 As at December 2023, there were no funds on the Watch list for LCIV. 2023 had been a difficult year for active management with all Multi-Asset funds currently undergoing **Enhanced Monitoring**, Global Equity Focus Fund (Longview), Global Total Return Fund (Pyrford) and the Diversified Growth Fund (DGF) (Baillie Gifford which Camden is invested in) and LCIV Global Equity Fund (Newton). The next review for the DGF is scheduled for June 2024.
- 16.4 The other LCIV funds were undergoing **Normal Monitoring**. Included in this group were the Global Alpha Growth Paris Aligned Fund (Baillie Gifford) and LCIV Multi Asset Credit Fund (CQS and PIMCO) which Camden is invested in.
- 16.5 The LCIV Real Estate Long Income Fund (RELI), managed by Aviva (the Camden Pension Fund is an investor), was on **Enhanced Monitoring** with the next review scheduled for Q2 2024. The portfolio is constructed on £400m and half of the capital commitments had been made (£213m).

Fund launches

- 16.6 LCIV launched the Housing Fund, Long Duration and Short Duration Buy and Maintain funds in 2023.
- 16.7 New Funds in the pipeline were the Global Equity Value Fund, the LCIV Nature Based Solutions Fund, the LCIV Private Debt II Fund and an Indirect Property pooling solution for partner funds who have indirect property exposure in 2024. The solution will avoid tax implications, namely stamp duty.

Annual General Meeting

- 16.8 LCIV held their General Meeting for shareholders on 30 January 2024. A new purpose statement 'working together to deliver sustainable prosperity for the communities that count on us' was agreed and launched in September 2023.
- 16.9 The Articles of Association (AA) and Shareholder Agreements (SHA) had been changed and LCIV's share capital now met the Financial Conduct Authority (FCA) requirements as of December 2023.
- 16.10 Dean Bowden had been at LCIV for a year as CEO. Aoifinn Devitt joined in mid-January as Chief Investment Officer after Jason Fletcher had left.

The Board

- 16.11 Composition of the Board was reviewed in the first part of 2023 and the number of Non-Executive Directors (NED) was reduced by two. Paul Niven and Alison Talbot finished their terms in September 2023. LCIV had now reduced the total size of the Board whilst still maintaining a significant NED majority this had placed a greater emphasis on the Board's role in monitoring customer outcomes and enhanced the framework for the management and oversight of risk.

- 16.12 The Board placed high emphasis on ensuring the development of diversity in the senior management roles within London CIV.
- 16.13 Of the 18 roles at senior level 39% were held by women, with 3 individuals (17%) from an ethnic minority group.
- 16.14 A more diverse Shareholder committee was preferred and LCIV had communicated this to client funds when seeking nominations.
- 16.15 The Chair of the Shareholder Committee is Cllr Rishi Madlani (Camden) who holds office for four years. The Vice Chair is Cllr Rob Chapman.
- 16.16 The current composition of the Board and terms of office are:
- Mike Craston (Chair, NED) from Sept 2021 (three-year term ends Sept 2024).
 - Ravi Govindia from Sept 2018 (second three-year term ends Sept 2024).
 - Kitty Ussher from Sept 2020 (three-year term ends Sept 2023) Chair Remuneration & Nominations Committee.
 - Cllr Peter Mason from Dec 2021 (three-year term ends Dec 2024).
 - Yvette Lloyd NED from Jan 2022 (three-year term ends Jan 2025) Chair Investment and Customer Outcomes Committee.
 - Mark Laidlaw NED from Jan 2022 (three-year term ends Jan 2025) Chair Compliance Audit and Risk Committee.
 - Dean Bowden (Chief Executive Officer) appointed December 2022.
 - Brian Lee (Chief Operating Officer with responsibilities as Chief Finance Officer) appointed Sept 2015.
- 16.17 In addition, Damon Cook is appointed as Treasurer Observer but is not a Non-Executive Director.

Annual Budget

- 16.18 An item was taken on the Annual Budget including estimated working capital and projected profit. The development funding charge (DFC) was reducing by 12% in 23/24 and 15% in 24/25.
- 16.19 As at March 2023 £10bn of liquid assets were not pooled out of total London assets of £46bn. A large part of this is equity assets (£5bn). There were also £9bn of assets in non-liquid assets (with £4bn in property and other assets in other asset classes such as private equity, private debt and Infrastructure).
- 16.20 The table below shows the growth in forecast assets under management of LCIV moving from £27bn at the end of March 2023 to £30bn at the end of March 2025.

	Audited Mar-23	F'cast Mar-24	Budget Mar-24	Budget Mar-25
Assets Under Management	£m	£m	£m	£m
AIFM AUM - ACS	12,896	14,146	14,101	15,746
AIFM AUM - Private Markets	1,360	1,463	1,303	1,463
Total AUM AIFM	14,256	15,609	15,404	17,209
MiFID AUM		60		420
Passives	12,533	12,561	12,002	12,561
Total AUM	26,790	28,231	27,406	30,191
Total LGPS AUM	46,142	46,142	46,142	46,142

16.21 Based on stewardship of these assets the following income statement was reported:

	Audited Mar-23	F'cast Mar-24	Budget Mar-24	Budget Mar-25
Income Statement	£000	£000	£000	£000
Fixed Fees	3,520	3,220	3,520	3,120
Active Equities	1,885	2,213	2,050	2,872
Passive Equities	29	77	132	79
Multi Asset	596	642	577	727
Fixed Income	193	483	394	494
Private Markets	927	1,101	1,016	1,147
Total on LCIV Management fees	3,630	4,516	4,168	5,319
Passives	617	637	601	628
Total Management fees	4,247	5,152	4,770	5,947
Climate Reporting & Securities Lending		-	324	-
MiFID business - management fees		4		100
Total Management fee	7,767	8,377	8,614	9,167
Miscellaneous income - VAT refund	-	1,000		-
Total Operating Income	7,767	9,377	8,614	9,167
Expenses				
Staff costs	5,626	6,374	6,367	6,892
Facilities	581	448	449	488
Legal & Professional	563	1,039	593	310
Travel & general expenses	91	103	82	102
Technology	307	352	392	434
Investment systems costs	306	433	479	523
ESG/Proxy Voting	219	236	243	265
MiFID business - expenses		3		80
Total Expenses	7,693	8,988	8,604	9,094
EBITDA	74	388	10	73

16.22 This shows a small surplus in all years but the DFC is still being levied on all 32 partner funds (£3.120m in 2024/25).

16.23 As an FCA regulated firm, LCIV is required to maintain sufficient regulatory capital at all times in accordance with its regulatory permissions. LCIV has demonstrated sufficient regulatory capital in the years reported on.

16.24 The Committee noted the report.

17 Cashflow and Membership

- 17.1 This report presented an analysis of the cash flow for the pension fund during the last year and over the longer term and analysed the movement in scheme membership. This report is received annually by Committee.

CASHFLOW

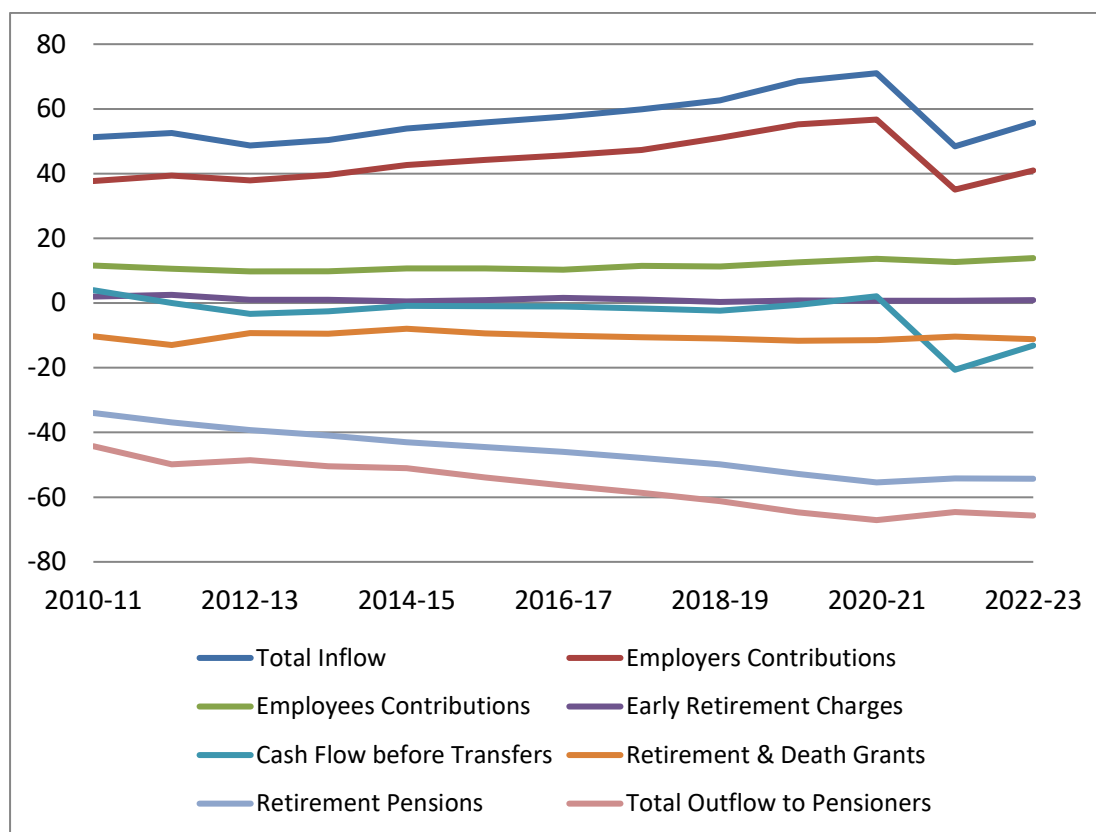
- 17.2 The cash flow for the year to 31 March 2023, with previous financial years for comparison, is as set out in **Table 1**. In order to understand key trends and the impact of certain activities on the Fund's overall cash flow, this analysis distinguishes between three cash positions:
- cashflow before transfer values
 - cashflow after transfer values
 - total cash flow of the Pension Fund (including investment income)
- 17.3 As Table 1 shows, the first of these totals includes most of the Fund's core activities around the administration of members' pensions, including the payment of pensions, lump sums and death grants, and the collection of contributions.
- 17.4 It should also be noted that the 22/23 accounts have not been prepared or audited and therefore the numbers in Table 1 will move once accruals have been made and all the year-end figures have been fully reconciled.
- 17.5 Transfer value activity occurs where scheme members move their pension to or from the Pension Fund. This activity can be quite volatile and can distort the Fund's core cash position and so is shown separately. The final position is the ultimate cash position of the Fund and includes investment returns taken as cash. This line demonstrates the extent to which investment returns support the Fund's administration.
- 17.6 Cash inflows in 2022/23 were £55.7m, a £7.2m increase on the previous financial year. Both Employer and Employee contributions received during the year were higher than in the previous year. Pension strain costs (early retirement charges) from services were also slightly higher than the year before.
- 17.7 Total outflows reduced slightly to £68.8m, and payments made to scheme members increased by £1.1m. Net cash flows prior to transfer values were negative (a £13.2m outflow). There was a slight fall in the value of transfers in however this was offset somewhat by a reduction in the transfer values paid out of the scheme.
- 17.8 After taking into account transfer value activity, but before investment income, the Pension Fund had a negative net cash flow of -£16.6m. This was lower than it has been in the previous year (£24.4m) but a lot higher than in previous years due to the deficit contribution adjustment explained in paragraph 2.3.
- 17.9 Cash received from investment income is the final factor that has consistently increased cash in the Fund and ensured a cash flow positive position. Investment income in 2022/23 was substantially stronger than in 2021/22 and was £11.0m higher than last year at £24.0m. This may be attributed to the strong performance of assets over most of 2022/23, and healthy corporate profits more generally.
- 17.10 After investment income, the total net inflow to the Pension Fund in 2022/23 was £7.4m, slightly reduced compared to the reported figure for 2021/22 but significantly higher than the adjusted figure by £18.8m, due to the significant increase in Investment income as mentioned previously.

	2017-18	2018-19	2019-20	2020-21	2021-22	2021-22 per draft accounts	2022-23	12m Qtrly Avg	12m Mnth Avg	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Inflows										
Employers Contributions	47.328	51.035	55.253	56.695	54.688	35.051	40.935	10.234	3.411	5.9
Employees Contributions	11.461	11.288	12.572	13.636	12.731	12.692	13.879	3.470	1.157	1.2
Early Retirement Charges	1.059	0.325	0.786	0.678	0.679	0.679	0.862	0.215	0.072	0.2
Total Inflows	59.847	62.648	68.611	71.009	68.098	48.422	55.676	13.919	4.640	7.3
Outflows										
Retirement Pensions	-47.855	-49.869	-52.821	-55.445	-54.343	-54.201	-54.304	-13.576	-4.525	-0.1
Retirement Grants	-9.637	-10.044	-10.258	-10.052	-9.202	-9.023	-9.361	-2.340	-0.780	-0.3
Lump Sum Death Grants	-0.992	-0.977	-1.367	-1.446	-1.318	-1.341	-1.835	-0.459	-0.153	-0.5
Refund of Contributions	-0.192	-0.388	-0.229	-0.152	-0.097	0.000	-0.165	-0.041	-0.014	-0.2
Payments to Scheme Members	-58.676	-61.278	-64.675	-67.095	-64.961	-64.564	-65.664	-16.416	-5.472	-1.1
Administration	-0.560	-1.359	-1.212	-0.724	-1.477	-2.258	-1.013	-0.369	-0.084	1.2
Investment Management Fees	-2.334	-2.415	-3.271	-1.163	-2.688	-2.227	-2.153	-0.672	-0.179	0.1
Total Outflows	-61.570	-65.052	-69.158	-68.981	-69.126	-69.049	-68.830	-17.207	-5.736	0.2
Cash Flow before Transfers	-1.723	-2.404	-0.547	2.028	-1.028	-20.628	-13.154	-3.289	-1.096	0.0
Transfer Values Received	8.337	9.039	8.941	4.137	6.708	7.066	6.264	1.566	0.522	-0.8
Transfer Values Paid	-5.086	-7.132	-10.233	-6.147	-11.017	-10.868	-9.747	-2.437	-0.812	1.1
Net Transfer Values	3.251	1.907	-1.291	-2.010	-4.309	-3.802	-3.482	-0.871	-0.290	0.3
Net Inflow of Funds to Fund	1.528	-0.496	-1.838	0.018	-5.337	-24.430	-16.636	-4.159	-1.386	7.8
Investment Income	5.848	4.529	6.011	10.288	13.069	13.069	24.038	6.009	2.003	11.0
Inflow to Pension Fund	7.376	4.033	4.173	10.306	7.733	-11.360	7.402	1.850	0.617	18.8

17.11 Officers continue to monitor cash requirements closely to ensure that funds are available for the day-to-day administration of the scheme.

Looking at longer-term trends **Table 2** below shows a summary position of cash flows over the past ten financial years. This only looks at the major cash flows of pension contributions and benefits.

Table 2: Contributions & Benefits Cash flow Trends



17.12 Cash flows associated with contributions and retirement pensions have tended to move upwards over time, as one would expect as pensionable pay increases over time and contributions are set with the aim of ensuring that the Fund moves towards being fully funded. The exception to this is 2021/22, the exit of the second largest employer, the Improvement and Development Agency (IDeA) from the Fund and has reduced contributions and the deficit contributions adjustment. Retirement and death grant payments fluctuate around an average that is almost constant.

17.13 The clearest trend over the years has been the increase in retirement pensions paid, caused both by a combination of an increase in the number of pensioners and annual inflationary increases to pension payments.

17.14 Employee Contributions have increased and apart from 2021/22 there has been a gradual increase in total inflows and outflows over the long term.

SCHEME MEMBERSHIP

17.15 The activity in scheme membership for the past year is recorded in **Table 3** below. It should be noted that there will be movement in historic data due to retrospective processing of records, and the report shows known cases as at the time of compiling the data.

Table 3: Administration Report

	Year Ending	31-Mar-19	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
TOTAL MEMBERSHIP STATUS						
Active Members		5,402	5,698	5,781	5,437	5,558
Deferreds / Frozen Refunds (ex employees)		9,326	9,467	9,379	9,117	9,415
Pensioners		7,185	7,431	7,603	7,466	7,663
		21,913	22,596	22,763	22,020	22,636
% MEMBERSHIP STATUS						
Active Members		24.65%	25.22%	25.40%	24.69%	24.55%
Deferreds / Frozen Refunds		42.56%	41.90%	41.20%	41.40%	41.59%
Pensioners		32.79%	32.89%	33.40%	33.91%	33.85%
		100.00%	100.00%	100.00%	100.00%	100.00%
ACTIVE MEMBERS						
Total New Active Members		780	1,622	539	633	1,458
Leavers		-461	-640	-403	-587	-774
Opt Out		-76	-437	-35	-66	-434
Retirements		-79	-105	-92	-112	-123
Death in Service		-3	-4	-8	-11	-6
<i>Transferred to Merseyside PF</i>					-201	
Total Active Leavers		-619	-1,186	-538	-977	-1,337
Net Movement of Active Members		161	436	1	-344	121
DEFERRED/FROZEN REFUND MEMBERS						
Total New Deferred Members		459	557	338	545	722
Transfers Out		-169	-319	-244	-203	-216
Retirements		-217	-233	-197	-214	-187
Restored Actives		-3	-2	-1	-5	-16
Deaths		-5	-4	-9	-6	-5
<i>Transferred to Merseyside PF</i>					-368	
Total Leavers from Deferred		-394	-558	-451	-796	-424
Net Movement of Deferred Members		65	-1	-113	-251	298
PENSIONER MEMBERS						
New Retirements		297	339	289	333	352
New Dependants Pensions		39	60	72	54	38
Total New Pensioners		336	399	361	387	390
Cessation of child pensions		-1	-3	-1	-7	-5
Undecided Leaver			-1	0	0	-1
Deaths		-133	-160	-202	-153	-187
<i>Transferred to Merseyside PF</i>					-364	
Total Pensioner Leavers		-134	-164	-203	-524	-193
Net Movement of Pensioners		202	235	158	-137	197

17.16 The total number of members (22,636) has increased by over 600 year-on-year. The majority of this increase is driven by an increase of 580 members from Camden Council and an increase of 20 from Swiss Cottage school. The increase in new active members is as a result of new staff joining the council and choosing to remain in the scheme and not opt out.

- 17.17 Deferred membership has increased by a net difference of 298, compared to a net decrease last year of 251. Deferred membership remains the largest proportion at 41.59%. This increase is due to more staff leaving the council with two years qualifying membership and choosing to retain the benefits of being in the Fund rather than transferring out.
- 17.18 Pensioner membership also increased in 2022-23, with a net increase of 197. The number of retirees increased again; as with deferred members, the other drivers of pensioner membership, retirements and deaths – have remained broadly in line with previous years.
- 17.19 The full report to Committee also discussed long term trends in scheme membership and the age profile of members.
- 17.20 The Committee noted the report.

18 Annual Report 2022-23

- 18.1 This report was taken in full.
- 18.2 The Committee noted the report.

19 Business Plan

- 19.1 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 had been updated for items scheduled to be taken by Pension Committee in 2024 and beyond. Much of the new future work plan of the Committee would fall out of the investment strategy review reported to the July meeting.
- 19.2 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 Responsible Investment or environmental, social and governance (ESG) implications and will draw out the impacts of any decisions in reports for Members for clarity.
- 19.3 At each committee there is an update on training modules covered. To date 4 committee members had completed 8 modules and 2 Pension Board members had completed 10 modules.
- 19.4 Ongoing training helps the members of the Pension Committee to undertake their role more effectively and provides additional context to their decision-making for the Fund. This all aids informed decision making and an understanding of the complex issues that are involved in these decisions and helps to drive forward the Fund's approach to responsible investment.
- 19.5 The Committee noted the report.