THE LONDON BOROUGH OF CAMDEN

At a meeting of the **PENSION COMMITTEE** held on **THURSDAY, 19TH SEPTEMBER, 2024** at 6.30 pm in Council Chamber, Town Hall, Judd Street, London WC1H 9JE

MEMBERS OF THE COMMITTEE PRESENT

Councillors Rishi Madlani (Chair), Heather Johnson (Vice-Chair), Anna Burrage, Sylvia McNamara, Jenny Mulholland, James Slater and Shiva Tiwari

MEMBERS OF THE COMMITTEE ABSENT

Councillors Matthew Kirk

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

MINUTES

1. APOLOGIES

Apologies for absence was received from Councillor Matthew Kirk.

Apologies for lateness were received from Councillors Heather Johnson and James Slater.

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

There were none.

3. ANNOUNCEMENTS (IF ANY)

Webcasting

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

Welcome

Councillor Madlani welcomed back the Principal Lawyer Joanne Reeves who was returning as the Committee’s Legal Adviser after a 7-year absence and replacing Ros Alexander. Also welcomed to the meeting was the Council’s new Deputy Borough Solicitor Joyce Golder who had joined the Council from Westminster City Council.

4. DEPUTATIONS (IF ANY)

The Chair advised that two deputation requests had been received from Camden Friends of Palestine and UK Lawyers for Israel and neither had been accepted on this occasion.

He explained that the Committee had heard a similar deputation from the Camden Palestine Solidarity Campaign at its meeting in July, and as a rule of thumb he tended not to allow deputations on the same topic more than twice in the calendar year. He with Council Officers had also had a meeting with the Palestine Solidarity Campaign last Wednesday where a number of actions were agreed and after further information had recently been received, he was keen to have the chance to work on this. He was collaborating with the Local Authority Pension Fund Forum (LAPFF) and London CIV around the changing and evolving legal status of engagement.

He further explained that the reason for refusing the deputation was not due to a lack of will to engage with the campaign but it was to ensure there could be a meaningful and constructive discussion and would welcome a future deputation to engage further on the topic. The second deputation was dependent on the first being heard so that did not materialise.

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

There was none.

6. MINUTES

RESOLVED –

THAT the minutes of the meeting of the Pension Committee held on 10th July 2024 be approved and signed as a correct record.

7. PERFORMANCE REPORT

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

The Treasury and Pension Fund Manager introduced the report which outlined the performance of the Camden Pension Fund investment portfolio and the individual investment managers for the quarter ended 30 June 2024.

She highlighted that as an overview of the financial market global equities had performed really well with positive returns in quarter 2 mainly driven by advancements in Artificial Intelligence (AI) and favourable economic data as evidenced by the FTSE All World return increasing by 2.9% for the quarter. The UK equities had outperformed global equities with stronger than expected GDP data and declining inflation noting, however that it was important to keep in mind that there were still inflationary pressures particularly around core CPI services.

With regards to liability monitoring, asset performance remained well above the actuary expectations. In respect of the Funds fossil fuel exposure and the percentage of the fund’s portfolio invested in Carbon Underground 200 Index of companies compared to previous reports from last year there had been a reduction in the proportion of all assets’ exposure from 2.10% in December 2023 to 1.99% as at June 2024 and a reduction in investment in Carbon Underground 200 Index from 1.42% in December 2023 to 0.9% this quarter.

The overall fund value was £2.120billion as at 30 June 2024. The overall fund performance this quarter achieved a 1.03% increase.

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

She highlighted that:

Baillie Gifford, the growth global equity manager had a better showing than Harris this quarter by 4.5% but were behind the growth index which returned 6%. However, over the 3-year period they were still a fair way behind their target and had a lot of ground to make up. The best performing stocks in absolute terms were the tech and pharmaceutical stocks. Nvidia was underweight compared with the index on a relative basis. The portfolio had 75% of the intensity in terms of weighted average carbon intensity of the full market capitalisation index which was a positive and sustainable strategy and designed to have a lower carbon intensity than the market capitalisation index.

Harris, the Global Equity Value Manager underperformed during this quarter which was due to poor stock selection as had been the case over the past 5 quarters. There was concern with Harris because of their poor performance over the last 12 months, 17.5% behind their target. At the last meeting she had with the Fund

Manager, they remained positive on the outlook for the portfolio and had been advised that the improved performance would come from a few select holdings that were doing very well. Noting, however that there had been no evidence of this over the past year. There was an expectation that Harris needed to improve their performance.

Legal and General – There were 3 passive portfolios. The tracking error over 1 year was higher than expected for the equity funds. The reason for this was explained as being a change in the rules regarding recoverable withholding tax in Switzerland and Belgium. On being asked for further clarification at a recent meeting with the manager they were not able to provide this in relation to the effect on performance and value and this information was still outstanding. Of the two index funds, one was a sustainable passive fund which in the first quarter delivered a return of 3.25% while the World Market Capital Index returned 2.45% which meant that the sustainable tilt added value to this quarter.

CBRE – the portfolio of commercial property funds. They selected the underlying funds in which the Pension Fund invested in. Chart 3 on page 41 of the agenda indicated the split of the returns for the quarter between the different underlaying funds. It was a mixed bag, the worst performing fund in the first quarter was Ardstone which delivered a return of -16%, while Fiera Real Estate Logistics Development Fund -2.5% and FRXL 2 -45.9%. Lend Lease Retail had been consistently underperforming for the last 3 quarters but that fund was being wound up with distributions made shortly and would no longer appear going forward.

Partners – This was a Global Property Manager investing in 3 different funds. that Camden Pension Fund was invested in. The 2009 Fund was now being liquidated and expected to be wrapped up by the end of the year.

The 2013 fund had realised its investments with 11 assets below plan and might not deliver to the expected return target. The 2017 fund was the most recent investment with 5 out of 55 realised so far, 15 investments were below expectations, it was however still early days and there was still time for the manager to recover the performance.

HarbourVest – This was a Global Private Equity Manager. The Independent Adviser informed the Committee that she met with them last week and on querying the reason for 25% of investments being behind expectations was informed that this was attributable to some underlying direct investments that were impacted by the pandemic and inflation. There however appeared to be some confusion with the expectations of the fund manager and clarification had been requested on which funds were underperforming and outperforming.

London CIV - – The MAC fund (blended fund -CQS / Pimco) This she noted was a multi asset credit portfolio which was now blended across two managers CQS and Pimco and returns had now been improving although still behind the 5-year target. The Committee were informed that this however predated the existence of the blended fund and appeared to show that blending was effective and performance improving. London CIV expected the performance shortfall to be recovered over the medium term. It was also pointed out that both managers were on normal monitoring the carbon intensity of the sub fund was 6% below that of the benchmark which it was pointed out was not a sustainable mandate even though last quarter the weighted average carbon intensity was 23% lower than the benchmark and was not a sustainable strategy.

London CIV – Infrastructure Fund – Stepstone – These were investing in a range of Infrastructure portfolio Funds**.** There were 7 primary funds and one secondary fund. Members were informed that there had been no additions to the portfolio since the 3rd quarter of 2022 so it was busy delivering value now. Also, at the last meeting between Stepstone with London CIV it was reported that the performance numbers were being impacted by the different managers having a different approach to how they valued underlying funds so there needed to be some caution when comparing funds against each other.

London CIV – Real Estate Long Income Fund – Aviva – This was a property portfolio investing in long lease income type strategies which were very secure inflation linked income managed by Aviva. The Committee was informed that the fund was now fully deployed and 98% of leases were inflation linked which was good to have in an inflationary environment.

London CIV – Housing Fund – These were investments with CBRE UK Affordable Housing Fund, Octopus Affordable Housing Fund and Savills IM's Simply Affordable Homes Fund. It was pointed out that it was still early days for these investments.

London CIV – Diversified Growth Fund – Baillie Gifford -This was a multi asset portfolio designed to diversify the equity risk in the total portfolio managed by Baillie Gifford. Performance had been an issue for quite a while. London CIV had put them on enhanced monitoring back in 2022 and had decided to maintain this level of monitoring on the manager. They had seen some progress and although they had responded to concerns and change, still wanted to monitor the fund manager for a while longer. The Independent Adviser commented that it was not good performance either in absolute terms or in terms of the peer group analysis and had some concerns about the fund.

Responding to Committee members questions, the Treasury and Pension Fund Manager and Independent Investment Adviser provided the following information:

- In relation to the reason for better performance of passive compared to active equities, it was mainly due to advancements in artificial intelligence (AI) and the particular funds. The Baillie Gifford Fund was under exposed to AI or tech stocks that had performed well over the quarter. It was the Apple, Nvidia and Microsoft stocks that had outperformed in terms of stock market performance. Quality of stock picking had affected Harris funds where CNH Industrials had faced supply chain disruptions.

- In relation to whether the fund's current exposure to equity was a good thing, it was difficult to say how this would play out in the coming months. The situation required continued monitoring due to the unpredictability of inflation that would last for quite a while. There were sectors that were going to be negatively impacted such as Partners and CBRE because of the property sector and the adverse impact inflationary pressures were having on this sector.

- With regards to whether appropriate dates had been chosen to assess the active fund managers the fund had invested in, active fund managers had a target which was index plus while the passive managers target was index and charged lower fees. Active fund managers had a higher hurdle to meet and were being judged to a higher standard. However, even if they were being assessed against the index they were still underperforming.

- With regards to passive managers, that fluctuated in direct corelation to the market resulting in market cycle return. Active managers always indicated that they could reduce the beta in the portfolio so as to have less sensitivity in a falling market and potentially particularly, with Baillie Gifford (Growth Manager) they could have a higher beta so they could capture more of an upside in an upmarket.

- With regards to the overall weighting of affordable housing in light of the Council's economic and political objectives, the affordable housing fund was drawing down, it was only recently committed and not yet fully invested but it would eventually get to 5%.

The Chair responding to a Committee member's comment that the Committee and officers should have in mind a point to assess and justify switching some of the fund managers or reallocating to passive managers, highlighted that in relation to fund manager performance, some of the fund managers had been under enhanced monitoring. Members had also attended manager meetings to understand the reasons for their performance. Noting, that some members had met with Baillie Gifford last year to understand the reason for under performance and been reassured by the explanation given with the Fund Manager confident that the measures put in place would result in targets being met.

Answering further questions the Independent Adviser and Treasury and Pension Fund Manager commented that:

- With regards to Fund Manager engagement, the next meeting was scheduled with Baillie Gifford and Aviva but this could be moved around to include Harris with Baillie Gifford as they were both active equity managers. The question around how Harris was performing in comparison to other growth managers could be raised at that meeting. A date for this meeting would be scheduled in members diaries.
  Action By: Independent Adviser / Treasury and Pension Fund Manager

- With regards to whether the Fund Managers were being measured correctly against the broader benchmarks, officers and the Independent Adviser agreed to take another look at this.

Action By: Independent Adviser / Treasury and Pension Fund Manager

- In terms of the Investment Strategy and when the cycle to determine the active/passive split comes up, the Strategic Asset review was conducted by ISIO Independent Investment who came up with the recommendation on the active passive split and this could be brought up at the next Strategic Asset review.

- With regards to the meeting the Chair and some members had with LGIM and Harbourvest, there was no update on the Swiss withholding tax situation but a response had been received on the exposure which had just been received and would be formally circulated to members. The Chair requested that this information also be included in the set of papers for the next meeting.
  Action By: Treasury and Pension Fund Manager

- With regards to CBRE and the mix of assets underperforming and the end position on Lendlease being closed, the Independent Adviser agreed to look into this and feedback to the Committee
  Action By: Independent Adviser

RESOLVED –

THAT the contents of the report be noted.

8. ENGAGEMENT REPORT

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

The Treasury and Pension Fund Manager 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 the Local Authority Pension Fund Forum (LAPFF) to promote good governance and behaviour in environmental and social issues.

She highlighted that:

- Table 3 listed the value of the funds equity holdings with the companies that had been engaged with as at 30th June 2024.
- The key areas of engagement had been around climate change, environmental risk, water stewardship, corporate governance and human rights, the cement industry and the carbon capture.

- Discussions had been had with finance companies like HSBC and other Canadian banks pushing for them to show more improvement on their climate and transition plans and also to reduce their fossil fuel financing.
- LAPFF had made over 13,000 resolutions this quarter across 906 business meetings most of which had taken place in the US and Canada.

The Committee discussed how it could receive feedback on measuring the effectiveness of LAPFF engagement at business meetings and with businesses, noting that it would be useful if LAPFF could provide some quantifiable measures of the effectiveness of engagement, areas that required improved engagement and areas where engagement strategies could be changed or escalated. It was suggested that officers could highlight examples of successful and unsuccessful engagement from the papers circulated by LAPFF.
Action By: Treasury and Pension Fund Manager

In response to further questions officers agreed to check with the LAPFF and provide members further clarification:

- In relation to paragraph 3.3 page 57 of the agenda in relation to investor risks, what the red flags were and who was being asked to provide this information was it fund managers or investors.
  Action By: Treasury and Pension Fund Manager

- On whether LAPFF had sent the letter to the FTSE 100 index companies asking them to answer certain questions which would provide Local Authority Pension Funds with a better understanding of the basis on which investments were made and maintained in times of conflict.
  Action By: Treasury and Pension Fund Manager

- On how effective and responsive companies were at responding to correspondence sent from the LAPFF in relation to Table 1 page 53 under the activity heading.
  Action By: Treasury and Pension Fund Manager

The Chair reminded and encouraged Committee members to attend the business meetings informing them the conference and business meetings were open to all members.

RESOLVED -

THAT the contents of the report be noted.

9. LONDON COLLECTIVE INVESTMENT VEHICLE PROGRESS REPORT

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

The Treasury and Pension Fund Manager introduced the report informing the Committee that there had been progress on the LCIV side with a number of fund launches since the last Committee meeting in July such as the Global Equity Value Fund, The All Maturities Buy and Maintain Credit Fund, The Private Debt Fund, The Nature Based Solutions Fund and the Real Estate Pooling Initiation.

There had been positive fund flows with the receipt of £107m across all the ACS Sub Funds with the largest contribution going into the LCIV Mac Fund by a new investor. The LCIV had made its target of £1.6bn assets into private markets and as of 30 June 2024, total assets stood at £32bn with £15.7bn in the public market, £14.5bn in passive equities and £3.1bn in private markets.

As of July, none of the funds Camden Local Government Pension Scheme (LGPS) were invested in were on the LCIV watch list or enhanced monitoring, but 2 of the funds Camden was invested in, the Baillie Gifford Global Alpha Growth Paris Aligned Fund and the Mac Fund were both on normal monitoring.

The LCIV Client Relations Manager, Silvia Knott-Martin updated the Committee on the progress of the fund launches, thanked those members that were able to attend their annual conference on 5th and 6th September and participated in the discussion with fund managers and the future direction of LCIV. The LCIV governance team were also in group discussions with Council Pension Officers to provide evidence of the consultative and collaborative work approach of the body to the government. The response was required by 25th September.

The Chair commented that due to the date of the LCIV Annual Conference clashing with the lead up to 3 by-elections in the borough it had been difficult for some Councillors to attend. However, despite this some Councillors were able to attend, noting that it was a good place to exchange ideas with members across London and was something worthwhile doing particularly when next looking at the Funds asset review highlighting that comments provided from the discussion on the Portable Housing Fund helped shape that for what London required. It was also an opportunity for members to take up training opportunities,

Those members that attended the conference found it to be very enjoyable and informative and expressed a willingness to attend next year.

Responding to Committee members questions, the LCIV Client Relations Manager provided the following information:

In relation to the future direction of LCIV, the organisation aimed to show the government how it could become more effective and deliver on this effectiveness by encouraging the 32 London Boroughs to work collaboratively on joint procurement to facilitate huge savings. It was also about converging and looking at where people could work together to negotiate better fees for the benefit of all.

The Chair also commenting as Chair of the Shareholder Committee on the future direction of the LCIV highlighted that the body was established almost 10 years ago as a voluntary journey and it had taken a long time to build the relationships, getting 32 London Boroughs and the City of London to work together and reminding everyone of the collective purpose. With the change of government there was some uncertainty ahead but there were a number of processes to ensure that the business model evolved and was shaped to be useful for its members.

A member commented that it was important to acknowledge and appreciate the work the Shareholder Committee had done in building up the relationships which had been key when working with so many Councils and across different political persuasions. It had involved listening to people's needs and producing propositions and funds that met those needs and where the right products were created the various funds came on board. The member hoped that this way of working would continue as well as seeking further opportunities to pool or share services.

RESOLVED –

THAT the contents of the report were noted.

10. BUSINESS PLAN

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

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

The Interim Head of Treasury and Financial Services asked that members inform him of any training or meetings attended and of any training requirements.
Action By: All Members

In discussion members expressed a preference for the Climate Risk Training session be arranged as a stand-alone session rather than included prior to or as part of a Pension Committee meeting.
Action By: Interim Head of Treasury and Financial Services / Treasury and Pension Fund Manager

The Investment Fund Manager meeting currently pencilled in for 20th November 2024 should now include Harris and Baillie Gifford rather than Aviva.
Action By: Interim Head of Treasury and Financial Services / Treasury and Pension Fund Manager

The Chair informed the meeting that Ros Alexander the Committee's legal officer for the last 7 years was retiring her last day with the Council being 4th October after 27 years of service at Camden.

The Chair, on behalf of the Committee, thanked Ros for all her service to the Committee and the borough.

RESOLVED –

THAT the contents of the report be noted.

11. DATE OF NEXT MEETING

The next meeting was scheduled for Monday 2nd December at 6.30pm.

12. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT

There was none.

Having adjourned between 7.03pm and 7.08pm due to public disruption, the meeting ended at 8.06pm.

CHAIR

Contact Officer: **Sola Odusina**
Telephone No: **020 7974 6884**
E-Mail: **sola.odusina@camden.gov.uk**

MINUTES END