Camden

LONDON BOROUGH OF CAMDEN PENSION FUND ANNUAL REPORT

2023/24

CONTENTS

Section

SECTION 1: FOREWORDS

Report of the Chair, Pension Committee

Cllr Rishi Madlani, Chair of the Pension Committee

I am pleased to present the 2023/24 Annual Report for the London Borough of Camden Pension Fund. This year marked a period of significant transition and activity for the Fund as we continued to adapt to changing economic conditions and strengthened our commitment to sustainability and responsible investment practices.

The Fund concluded the year with a value of £2.02 billion, reflecting a robust increase from the previous year despite challenges from global economic uncertainties. Performance highlights included an annual investment return of 8.1%, outpacing the PIRC Local Authority Pension Fund universe average of 8.0%. Over three years, the Camden Fund achieved a return of 4.0%, with some underperformance due to specific mandates, such as Baillie Gifford and Harris. Officers and advisers have worked diligently to implement the recommendations of the July 2023 Investment Strategy Review, focusing on diversifying the Fund's portfolio and enhancing alignment with our long-term objectives.

The Fund’s funding level remains strong, with the 2022 triennial valuation confirming an increase from 103% in March 2019 to 113% in March 2022. This stability reflects the Fund’s prudent investment approach, supported by an impressive 31% investment return over the triennial period, well above the actuary’s forecast of 14.2%. The likelihood of meeting our funding objectives has risen from 72% to 78%, underscoring the effectiveness of the investment strategy managed in partnership with Hymans Robertson.

This year, we also made significant strides in addressing climate change and ESG priorities. Fossil fuel exposure in the portfolio declined to 2.1%, while investments in climate-focused funds increased. Approximately 31% of the Fund is now allocated to impact investments, including renewable infrastructure projects and Paris-aligned equity funds. Our infrastructure investments, now at 5%, have expanded, with commitments to renewable energy and sustainable projects via the London CIV sub-funds. Furthermore, we launched a new 5% allocation to affordable housing, underscoring our dedication to social impact alongside financial returns.

The Committee remained committed to active engagement, meeting with fund managers including Baillie Gifford, Aviva, Legal & General, CBRE, and Stepstone, among others. These discussions covered critical topics, including gender diversity in management teams, climate transitions, biodiversity, governance, and the risks of greenwashing. Additionally, we continued to play a prominent role in the Local Authority Pension Fund Forum (LAPFF), contributing to important dialogues on human rights and corporate accountability.

The Pension Committee welcomed new members this year and benefitted from their fresh perspectives. Training remained a priority, with members participating in Hymans Robertson's online learning programme and other educational opportunities to enhance their knowledge and ensure effective decision-making.

Membership of the Fund continues to grow, ending the year with 23,200 members—an increase of 564 members over the year. This growth reinforces the importance of our mission: to provide secure benefits to public-sector and charity workers and their families throughout their retirement.

I would like to extend my gratitude to our in-house team, including Daniel Omisore, Nigel Mascarenhas, and Jon Rowney, as well as the Pensions Shared Service team for their dedicated administration of benefits and contributions. My thanks also go to our independent adviser, Karen Shackleton, our investment consultants, Isio, and our actuaries, Hymans Robertson, who have supported the Fund through another demanding year.

Finally, I would like to thank the Pension Board for their invaluable role in scrutinizing our work and ensuring we uphold the highest standards. Together, we remain committed to securing the long-term financial health of the Camden Pension Fund for the benefit of its members.

Report of the Executive Director Corporate Services

Jon Rowney, Executive Director Corporate Services

This report details the financial position of the Pension Fund, and the performance of the investment managers appointed to manage the investment portfolio.

The London Borough of Camden Pension Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was established by the Government to provide retirement and death benefits for local government employees and those employed in similar or related bodies across the UK. The Council, as the administering authority for the Fund, operates within the framework of LGPS regulations and is committed to ensuring that the Fund is managed effectively and transparently.

As the administering authority, the Council’s responsibilities include the collection of all contributions, investment income, and other amounts due to the Fund, as well as the investment of surplus monies in accordance with the Fund’s Investment Strategy Statement, which is included in this report. The Fund must also balance its fiduciary duty to provide retirement benefits with its commitment to addressing Environmental, Social, and Governance (ESG) issues. The Pension Committee’s actions have resulted in a significant reduction in the Fund’s exposure to fossil fuel extraction companies, demonstrating our strong focus on decarbonization.

During 2023/24, the Fund’s value increased from £1.935 billion to £2.025 billion as of 31 March 2024, despite ongoing global economic challenges such as high inflation, rising interest rates, and geopolitical uncertainties. While the broader LGPS universe returned an average of 8.0% over the calendar year, the Camden Fund achieved 8.1%. This ranks the Fund’s three-year performance among the top quartile of LGPS funds, underscoring its long-term resilience and strategic alignment.

The year witnessed the implementation of the July 2023 Investment Strategy Review, which aimed to reduce exposure to equities and increase allocations to index-linked gilts, multi-asset credit, infrastructure, and affordable housing. These adjustments are designed to enhance the Fund’s long-term stability and ESG impact. The Committee approved a 5% allocation to affordable housing through the London CIV Affordable Housing Fund and a similar allocation to infrastructure investments, reflecting the Fund’s dedication to supporting sustainable and socially responsible projects.

Performance across asset classes was mixed. Equities, which constituted 54% of the Fund’s allocation, experienced volatility, with active managers Harris and Baillie Gifford delivering divergent results due to their focus on value and growth stocks, respectively. Bond markets, impacted by rising interest rates, posed challenges, while property investments saw mixed outcomes, with CBRE and Aviva underperforming but Partners achieving strong returns. Infrastructure and private equity managers, such as Stepstone and HarbourVest, continued to provide stable, albeit slightly below-target, contributions.

The Fund's ESG commitments remain central to its strategy. By December 2023, fossil fuel exposure was reduced to 2.1% of total assets, with investments in climate-aligned funds accounting for 31% of the portfolio. The Fund's carbon footprint continues to decline, and its investments in renewable energy through the CIV Infrastructure Fund further demonstrate its commitment to tackling climate change. Through the Local Authority Pension Fund Forum (LAPFF) and direct engagement with fund managers, the Fund has advanced discussions on ESG issues such as gender diversity, net-zero transitions, and responsible governance.

The Council's declaration of a Climate and Ecological Emergency in 2019 remains a guiding principle for the Fund's investment beliefs. The Fund's proactive stance on climate action and responsible investment has yielded strong financial and ESG outcomes, affirming that these objectives are not mutually exclusive.

The Fund's participation in the London CIV pool reached 77% by year-end, aligning with the Government's pooling agenda to achieve cost efficiencies and scale economies. The London CIV's diverse range of sub-funds supports the Fund's strategic objectives, and its collaborative approach enhances our ability to meet the LGPS's sustainability and governance goals.

Looking ahead, the geopolitical and economic landscape remains uncertain, with inflationary pressures and market volatility expected to persist. However, the Fund's strong diversification and the implementation of the revised investment strategy provide a solid foundation for navigating these challenges. The Fund's long-term performance remains above actuarial assumptions, reinforcing its ability to meet future liabilities while advancing its ESG priorities.

Markets continue to evolve, and the Fund is well-positioned to adapt to emerging opportunities and risks. As always, the Fund remains committed to safeguarding the retirement futures of its members while promoting responsible investment practices.

SECTION 2: OVERVIEW

The Pension Fund Annual Report

The Pension Fund Annual report pulls together many of the reports and statements which the Fund produces into a single, annual document. Scheme members and other interested parties should find the single publication a good source of information on key matters about the Fund.

The Report comprises a number of sections and annexes, in order to comply with the many regulatory requirements laid out in the Local Government Pension Scheme (Administration) Regulations 2008 and (subsequently) 2013 and 2016.

The body of the report contains sections on:

Scheme Management – Reports including the management of risks within the fund; the preparation of the accounts; responsibilities of the Executive Director Corporate Services; and report of scheme administration.

Scheme Governance – Reports on the governance structure and terms of reference of the Pension Committee, together with attendance and training.

Investment Policy & Performance – Investment market review with performance of the investment managers; detail of the Fund investments and asset allocation; and the corporate engagement undertaken on behalf of the Fund.

Actuarial Report – A summary report based on the most recent triennial valuation conducted by the fund actuary.

The sections thereafter introduce the main statements, which are included as annexes to the report, namely:

- Governance Compliance Statement
- Funding Strategy Statement
- Investment Strategy Statement
- Communications Policy Statement
- Risk Register

The Local Government Pension Scheme (LGPS)

The London Borough of Camden Pension Fund is a statutory funded scheme, governed by the Local Government Pension Scheme Regulations 2013 and subsequent amendments. It is a defined benefit scheme now based on career average revalued earnings (from 1 April 2014, previously final salary) which provides pension benefits to employees of the Council and other bodies which are set out in law. Employees have complete discretion on whether to be members of the scheme.

The Council is the administering authority and responsible for all aspects of the Fund's operations. The Executive Director Corporate Services is responsible for administration and preparation of the Fund's Statement of Accounts in accordance with the Pension Statement of Recommended Practice (SORP). The costs of administration and payment of pensions and benefits are chargeable to the Fund.

The scheme is required to be either fully funded or have a strategy to become so within a period defined by the Actuary. It is financed by contributions from employers and employees and investment income. Funds not immediately required to finance pensions and other benefits are invested in a selection of financial assets. These assets must be sufficient to meet the future pension entitlements of both past and present employees. This is achieved by adjusting the level of employers' contributions every three years following an actuarial review by an actuary, currently Hymans Robertson.

Contributions & Benefits

Legislation requires actuarial valuations of local authority pension funds to be undertaken every three years to calculate the funding level and determine the annual contributions to be made by the employing bodies. The valuation on which the employers' contributions for 2023/24 were based was carried out as at 31 March 2022, and applies to the three financial years from 1 April 2022.

Under the scheme regulations, employees contribute to the scheme according to set tiered contribution rates, based on pensionable pay. From 1 April 2023– 31 March 2024 these rates were as follows:

Band	*Range*	*Contribution Rate*	*50/50*
1	Up to £17,600	5.50%	2.75%
2	£17,601 to £27,600	5.80%	2.90%
3	£27,601 to £44,900	6.50%	3.25%
4	£44,901 to £56,800	6.80%	3.40%
5	£56,801 to £79,700	8.50%	4.25%
6	£79,701 to £112,900	9.90%	4.95%
7	£112,901 to £133,100	10.50%	5.25%
8	£133,101 to £199,700	11.40%	5.70%
9	£199,701 or more	12.50%	6.25%

The LGPS is a defined benefit "career average" scheme. For each year of membership, a pension equal to a 49th of an employee's pensionable pay in that year will be accrued. Inflationary increases are added in subsequent years to ensure that the pension keeps up with the cost of living.

The administering authority is also required to make provision to enable employees to make additional voluntary contributions (AVCs) to purchase enhanced pension benefits. The AVC providers for the Camden Pension Fund are Phoenix Life and Prudential Assurance.

TCFD reporting

The 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". Official supporters of the TCFD total 930

organisations representing a market capitalisation of over $11 trillion. Disclosure that aligns with the TCFD recommendations currently represents best practice. The TCFD published its final report in June 2017, 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.
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.

Following the Department for Work & Pensions' announcement in June 2021 of how private sector pension schemes would have to meet obligations under TCFD it has also been reported that DLUHC intends to consult on the implementation of mandatory TCFD-aligned reporting in the local government pension scheme (LGPS) by 2023.

Mandatory TCFD-aligned disclosures would require that organisations provide decision-useful information to help:

- build awareness of climate-related risks, opportunities and impacts across the economy
- integrate assessment and management of these risks, opportunities and impacts
- inform investment decisions, improving market effectiveness through more efficient pricing and allocation of capital, empowering stewardship and driving economic change to support the transition to a lower carbon economy and resilience to physical climate risks
- stimulate the development of green financial products – and competition between providers of these products – with follow on benefits for consumers.

The Camden Pension Fund is supportive of these proposals, and will aim to introduce the disclosures ahead of the mandated timeline. The Fund has been reporting to the Pension Committee on its carbon footprint annually since 2017.

All of the Fund’s managers report TCFD disclosures and the Fund uses Climate Analytics reported by the London CIV to analyse equity and bond portfolios..

SECTION 3: SCHEME MANAGEMENT

Scheme Management and Advisers

The roles, names and addresses of officials responsible for the management and advice given to the Fund can be found in **Annex 3**, as part of the Investment Strategy Statement.

Risk Management

The Camden Pension Fund has a Funding Strategy Statement (FSS) which is a summary of the Fund's approach to funding its liabilities. The FSS is reviewed in detail at least every three years in line with the triennial valuations. The Fund last reviewed its Funding Strategy in 2022 and was agreed in December 2022 by the Pension Committee.

There are four common approaches to dealing with identified risk:

- **Avoidance of risk** – desist from participating in the activity that gives rise to the risk in future.
- **Reducing the risk** – take action to minimise the likelihood of the risk occurring, or taking action to minimise impact if risk occurs.
- **Transferring risk** – total or part transfer of risk, mostly through insurance.
- **Accepting the risk** – acknowledge the cost of effectively dealing with risk is disproportionate to the potential benefit to be gained, or that any action taken may be limited in reducing the risk.

The Administering Authority has an active risk management programme in place and presents a Risk Register to the Pension Committee on an annual basis and was last reviewed in July 2024. The measures that the Administering Authority has in place to control key risks are summarised under the following headings:

- **Financial** - relate to investment risks which can include interest rate, currency, market – the nature of these risks and how the fund deals with them are detailed in the fund's Statement of Account.
- **Demographic** - relate to changes in demography that fall outside of the actuary's assumptions and therefore lead to increased fund liability
- **Regulatory** – that the national scheme will be changed by government or that new regulations brought in by government will result in increased fund liability
- **Governance** - the arrangement for overseeing the strategic investment of fund assets including ESG related issues and admissions/cessation of fund employers is inadequate; and
- **Administrative** – that the process and resources in place to manage the daily operation of the fund are inadequate.

More information on risk can be found in the FSS, and the ISS also outlines the Authority's approach to risk and the measurement and management of those risks. The risk register is appended at **Annex 5.**

Internal Audit

Internal Audit undertook a comprehensive audit of the pensions administration and investments functions in 2020/21. The scope of this audit extended to the following areas:

- Joiners
- Employee and Employer Contributions
- Benefits, Retirement Pensions and Grants
- Transfers and refunds
- Fund Management
- Pensions Data and Security
- Reconciliations
- Actuarial Valuations and Assumptions
- Performance monitoring

The most recent internal audit report in January 2022 gave substantial assurance indicating that there is a largely sound system of control and highlighting some minor weaknesses. The review identified no critical or high priority findings.

External Audit

Camden appointed Mazars who will be carrying out the external audit on the Statement of Accounts for Pension Fund in 2023/24. Officers continue to work to finalise these, and no major issues with the opinion on the Pension Fund accounts are anticipated.

Management of third-party risks

All of our fund managers and our custodian have external verification of their internal controls by their own external auditors. External auditors comment on whether the controls were suitably designed and operated effectively throughout the reporting period.

(a) Fund Managers

For fund managers, auditors typically issue a report of the Statement on Standards for Attestation Engagements (SSAE 16) in North America, or Audit & Assurance Faculty (AAF 01/06) in the UK. The International Auditing & Assurance Standards Board (IAASB) has also developed the International Standard on Assurance Engagements (ISAE 3402) as a global standard of reporting, for use from 2012. These reports describe internal controls in operation, and tests of operating effectiveness in the third party's control environment. The statement also provides information on third party controls that may be relevant to the internal controls of clients.

The Fund has obtained the following control reports, the most recent available for each fund manager. Some reports have been written to comply with more than one set of control standards, to cover a mixed client base.

Investment Company	Report Type	Reporting year to	Assurance Level	Auditor
Baillie Gifford & Co	ISAE 3402	31st Mar 2024	Reasonable Assurance	PwC
CBRE Global Investment Partners	ISAE 3402/ AAF 01/20	31st Dec 2023	Reasonable Assurance	Deloitte LLP
Harris Associates LP	SOC1	31st Aug 2023	Reasonable Assurance	Ernst & Young LLP
HarbourVest Partners LLC	SOC1	30th Sep 2023	Reasonable Assurance	Ernst & Young LLP
Legal & General Investment Management (Holdings) Ltd	ISAE 3402 / AAF 01/20	31st Dec 2023	Reasonable Assurance	KPMG LLP
Partners Group Holding AG	ISAE 3402	31st Dec 2023	Reasonable Assurance	PwC
CQS	ISAE 3402	31st Dec 2023	Reasonable Assurance	RSM LLP
Stepstone	SOC1	30th June 2023	Reasonable Assurance	Ernst & Young LLP
Aviva Investors	ISAE 3402 / AAF 01/20	30th Sep 2023	Reasonable Assurance	PwC

(b) Custodian

JP Morgan is the Fund’s custodian. The control report for JP Morgan for the year to 31 March 2024 was prepared by PricewaterhouseCoopers in accordance with International Standard on Assurance Engagements (ISAE) 3402.

In each case the auditor assessed the internal control procedures as written in the report, and concluded that

- The report description fairly presents the investment management activities that were designed and implemented throughout the period;
- The controls related to the control objectives were suitably designed to provide reasonable assurance that the control objectives would be achieved if those procedures were complied with; and
- The control procedures that were tested were operating with sufficient effectiveness to provide reasonable assurance that the control objectives were achieved in the period.

(c) Pool operator – London LGPS CIV Ltd

The London Collective Investment Vehicle have provided internal controls reports for each manager of each CIV sub-fund in which the Fund has investments, For the CIV itself and for the CIV's administrator, Northern Trust, bridging letters have been supplied, for the year to 30 September 2023 and 30 April 2024 respectively. These bridging letters provide reasonable assurance.

Statement of Accounts for 2023/24

The Statement of Accounts for the financial year to 31 March 2024 are currently being audited by Mazars, and the final report will be published in due course.

Responsibilities of the Executive Director Corporate Services

The Executive Director Corporate Services is responsible for the preparation of the Fund's Statement of Accounts in accordance with proper practices set out in the CIPFA Code of Practice on Local Authority Accounting.

In preparing the Statement of Accounts, the Executive Director Corporate Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice on Local Authority Accounting.
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Review of Administration

Arrangements for Scheme Member & Pensioner Administration

The Local Government Pension Scheme regulations require employing and administering authorities to work together to ensure the effective running of the scheme. The administering authority is responsible for pension fund investments, the calculation and payment of benefits and for maintaining scheme member records and computerised administration systems. The employing authority is responsible for applications to join or leave the scheme, assigning employees to the correct contribution band, deciding when to pay retirement benefits and providing relevant employee data to the administering authority.

The London Borough of Camden is both an administering and employing authority. The pension administration function of the administering authority is carried out by the Pensions Shared Service (PSS), set up between Camden and Wandsworth, and now also including Merton, Richmond, Waltham Forest and Bromley. The employing authority role falls to Camden's Human Resources service although some employing authority functions (such as the calculation of final pay) are performed by the PSS.

There are a number of active Scheme employers within the Camden fund comprising of 19 admission bodies, 5 academies or free schools, and one other scheduled body not including Camden Council itself. For members in these arrangements, it is their employer that carries out the employing authority functions.

There is another group of members who work in Camden's schools who are employed by Camden but are not paid through Camden's payroll system. The PSS do not have direct access to contractual information relating to the scheme members and therefore has to rely on the schools, admitted bodies and scheduled bodies to provide information on starters, leavers and amendments. High levels of the PSS's resources are dedicated to this group of staff as they are more onerous to administer than staff on Camden's payroll system. The PSS works with these employers in an effort to improve the quality and timeliness of this data.

Administration of the pension payments is undertaken by the PSS and the payroll is run on the Council's ORACLE financial system. The Fund provides twelve monthly payments a year with a payslip posted to home addresses in March, April and May and also when the net pension differs by more than £1 from the previous month.

Internal Dispute Resolution Procedure (IDRP)

IDRP is a two-stage system with Stage 1 being considered by the Head of Pension Shared Service. A notification of the right to access IDRP is included with any notification of decisions made by the Fund such as benefit notices. The Stage 2 officer is the Council's Borough Solicitor. In 2023/24, there were no IDRP complaints received.

Key Uses of Technology

The staff of the PSS have direct access to the payroll records of the majority of the scheme's active members through the Payroll/HR module of the Council's main financial information system, ORACLE. There are monthly interfaces from Oracle to the pensions administration system, ALTAIR. The interfaces allow transfer of data for new starters, contractual changes such as changes in hours and personal changes such as home addresses.

There is also an annual interface for posting pension contributions. For members that are not paid through ORACLE, such as staff working in schools or for external bodies that have an admission agreement with the Council, the PSS relies on these outside bodies to provide the data. To improve the timeliness and accuracy of data from external bodies the PSS commenced the onboarding of the i-Connect system which facilitates the electronic transfer of data monthly.

The Council has now fully implemented i-Connect - and so all employers are on this system. This will improve the flow of data between PSS and payroll systems used by the different employers in the Fund, which minimises manual intervention in the process and ensures robust data integrity. The system directly pulls data from employers' payroll systems, automatically identifying new joiners, opt-outs and leavers and seamlessly generate an extract for submission to PSS in a single solution.

There is a range of pensions information available on the internet. Details of this information, and where it can be found, are contained within **Annex 4**: Camden Pension Fund Communications Policy Statement

Martin Doyle
Head of Pensions Shared Service

Administration Performance

Awaiting Information

SECTION 4: SCHEME GOVERNANCE

Introduction

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities to prepare and maintain a separate written statement on governance policy on pension fund matters. The Department for Levelling Up, Housing and Communities (DLUHC) has published draft regulations requiring pension funds to report on their governance arrangements against a set of best practice principles. Where a pension fund's compliance does not meet the required standards there is a requirement to explain, within the governance compliance statement, the reasons for not complying.

The compliance principles are not mandatory but are considered best practice.

The London Borough of Camden Pension Fund's Governance Compliance Statement is attached as **Annex 1** of this report. Additional compliance information is included in the Statement of Investment Principles in **Annex 3**.

Governance Structure

The London Borough of Camden, in its role as administering authority, has executive responsibility for the Fund. The Pension Committee consider all matters relating to the management and administration of the Fund. The revised terms of reference were agreed at full council on 2 March 2015 that the Audit and Corporate Governance (Pensions) Sub-Committee be established as a committee in its own right which has now been superseded by the Pension Committee. It became effective from the start of the 2015/16 municipal year. The terms were slightly amended just after the end of the financial year (regarding voting rights and delegation to the Chair outside of normal committee timescales where there is urgency). Council subsequently amended the terms of reference again on 17 May 2017 to take account of the requirement to formulate and maintain an Investment Strategy Statement, as introduced in the 2016 LGPS Regulations.

PENSION COMMITTEE TERMS OF REFERENCE

General

- To act as Trustees of the Councils Pension Fund within the terms of the Superannuation Act 1972 and to administer all matters concerning the Council's pension investments in accordance with any applicable law and policy
- To make arrangement for the appointment of and appoint suitably qualified investment managers and custodians and to periodically review those arrangements
- To ensure that appropriate and sufficient training has been undertaken by all members of the Committee in order to discharge their functions
- To take proper advice from officers, investment consultants, independent investment adviser, pension board and actuary
- In exercising all of its functions, to take into account environmental, social and governance issues in order to seek to ensure that the Pension Fund is a responsible investor.

Investment

- Set and review Investment strategy for the Fund
- To formulate and publish a Investment Strategy Statement
- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers, the performance measures to be set for them and review investment management performance against targets
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles
- Ensure the Fund's voting rights are exercised in line with the Fund's voting policy to ensure the best outcome for the Fund's investment purposes and ensure engagement supports the investment strategy and Fund's performance, except co-filing requests put forward by the LAPFF; and support for resolutions in respect of companies that the Fund does not have a direct shareholding in, which remains a matter for the Executive Director Corporate Services in consultation with the Chair of the Pension Committee unless time allows for the matter to be reported to the Committee for decision.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.

Liabilities

- To review the risks inherent in the management of the Pension Fund
- To review the strength of admitted bodies and ability to honour their liabilities
- To agree and keep under review a Contribution Strategy and agree the Triennial Valuation
- Admit new and exit ceasing employers as and when these arise
- To monitor liabilities and ensure progress towards full funded status of all employers
- To understand the maturity of the Fund and keep cash flow considerations under review

Membership and Voting Rights of the Committee

The membership of the Committee consists of:

- 8 members (currently 7 from the majority party and 1 from another party) – one of these members will chair the Committee
- Officers of the Council (non-voting)
- An Independent Investment Adviser (non-voting)
- Representatives of the unions (non-voting)
- A representative of the retired members (non-voting)

Decision Making Protocol

- The Committee should aim to reach consensus in decision-making. Where agreement cannot be reached a majority vote will apply. Voting rights are restricted to Members, with the Chair having the casting vote if required.
- For decisions to be valid at least three voting members of the Committee must be present.
- Committee members will receive training and guidance on all matters requiring a decision prior to meetings where these issues are on the agenda.

Members Code of Conduct

All members of the Pension Committee are bound by the members Code of Conduct set out in the Councils Constitution. Members are required to register disclosable pecuniary interests and, if any interest is not entered in the register, to disclose the existence and details of such interests to the meeting. Where such interests are relevant to matters being discussed at any meeting members are restricted in participating and voting at such meetings. In the interests of transparency, the Code of Conduct also requires the disclosure of non-pecuniary interests.

Pension Committee – 2023/24

The following table lists the membership of the Pension Committee during the year and their attendance at meetings.

Attendance at Pension Committee Meetings	24 Jul 2023	20 Sept 2023	4 Dec 2023	5 Mar 2024
Cllr Rishi Madlani (Chair)	YES	YES	NO	YES
Cllr Heather Johnson (Vice-chair)	YES	YES	YES	YES
Cllr Anna Burrage	NO	YES	YES	YES
Cllr Jenny Mulholland	YES	YES	YES	YES
Cllr Matthew Kirk	YES	NO	YES	YES
Cllr James Slater	YES	YES	YES	YES
Cllr Sylvia McNamara	YES	YES	NO	YES
Cllr Shiva Tiwari	NO	NO	NO	NO

Training received by Pension Committee

The training needs of Members are covered at the quarterly Pension Committee meetings and semi-annual designated training sessions arranged by officers, with input from consultants and investment professionals, where the need arises. Members and officers may also be invited to attend conferences and seminars where appropriate by investment managers or other organisations.

All members of the Committee also have access to an online training portal. All training is recorded in an appendix to the quarterly business plan which is reported to Pension Committee.

Committee Meetings

The Pension Committee reviews a number of standing items at each quarterly meeting, including an update on the performance of the investment portfolio, a review of the engagement and voting activity undertaken since the last meeting, and an update on the progress made by the London Collective Investment Vehicle. Alongside these items, the Pension Committee discussed the following reports during 2023/24:

July 2023

The Camden Pension Committee meeting held on July 24, 2023, reviewed the Pension Fund's performance for the quarter ending March 31, 2023, highlighting a 2.29% quarterly growth in fund value to £1.93 billion, driven by equity and bond market performance amidst global economic uncertainties. Key topics included updates on the investment strategy and manager performance, ESG commitments, and the ongoing impact of inflation and market volatility. The Committee also discussed risk management updates, progress on climate-aligned investments, and further engagement activities through LAPFF. The meeting reinforced transparency, training priorities, and future strategies to align with the Fund's long-term objectives and regulatory requirements.

The Pension Committee reviewed the updated risk register, focusing on key risks such as market volatility, inflation, and liquidity concerns. Mitigation strategies included diversified asset allocation, close monitoring of market conditions, and regular stress testing. An action plan was presented to manage risks proactively, emphasizing the importance of maintaining funding levels and meeting liabilities in a challenging economic environment.

The investment strategy review, conducted by Isio, assessed the Fund's strategic asset allocation. Recommendations included potential adjustments to enhance long-term returns and align with ESG priorities. The review emphasized balancing growth and defensive assets while ensuring adequate liquidity. The Committee discussed the importance of aligning the strategy with the Fund's risk appetite and long-term funding objectives, with potential refinements to be explored in future meetings.

September 2023

The Camden Pension Committee meeting on September 20, 2023, focused on key updates to the Pension Fund's governance, investment performance, and strategic alignment with ESG goals. The Committee discussed proposed changes to its Terms of Reference to strengthen its commitment to responsible investment. The Fund's performance for the quarter ending June 30, 2023, highlighted a slight valuation increase to £1.94 billion, with discussions addressing market volatility, asset allocation adjustments, and underperforming mandates. The Committee reviewed the updated Risk Register and endorsed the "High Impact" investment strategy, which includes reallocations toward inflation-linked assets, multi-asset credit, and infrastructure while introducing an allocation for affordable housing to enhance ESG impact. Regular engagement activities, including participation in the LAPFF and updates from the London CIV, reaffirmed the Fund's focus on responsible investment and sustainability.

December 2023

The Camden Pension Committee reviewed the performance of the Pension Fund for the quarter ending 30 September 2023, noting a slight decrease in valuation to £1.935 billion. Discussions highlighted challenges in equity performance, underperformance in some mandates, and updates on liability funding levels, which remain robust at 104%. The Committee also reviewed updates on ESG initiatives, engagement activities via LAPFF, and governance changes to strengthen responsible investment practices. Key focus areas included progress on implementing the "High Impact" investment strategy, including infrastructure and affordable housing allocations.

Affordable Housing Allocation: The Committee evaluated the proposed 5% (£97 million) allocation to the London CIV Affordable Housing Fund, aiming to support Camden's ESG objectives while achieving a long-term inflation-linked return. The Fund aligns with the Pension Fund's sustainability priorities, providing exposure to affordable housing projects in the UK. The allocation aims to diversify the portfolio, address housing needs, and deliver stable cashflows, but further due diligence will ensure alignment with investment expectations.

BHP Class Action: The Committee considered joining a class action against BHP over the 2015 Samarco dam collapse in Brazil, which caused significant environmental damage and loss of life. The Pension Fund held investments in BHP through its equity portfolio and is exploring legal action to seek redress for losses incurred due to the company's alleged negligence. The class action, led by Grant & Eisenhofer, offers an opportunity for the Fund to reinforce its commitment to responsible investment and hold corporations accountable for ESG-related issues.

March 2024

The Camden Pension Committee reviewed the Pension Fund's performance for the quarter ending 31 December 2023, noting a 4.3% increase in fund value to £2.018 billion. Discussions highlighted progress in implementing the July 2023 Investment Strategy Review, adjustments to asset allocations, and updates on governance and ESG initiatives. The Committee also approved new allocations for affordable housing and infrastructure investments to align with the Fund's sustainability and financial objectives.

Infrastructure Investment: The Committee assessed the 4% (£76 million) infrastructure allocation approved in the July 2023 Investment Strategy Review. Two sub-funds offered by London CIV—the Infrastructure Fund and the Renewable Infrastructure Fund—were evaluated against investment expectations. The Committee aimed to balance diversification and ESG impact, with a focus on renewable energy and sustainable infrastructure projects, supporting long-term growth and alignment with climate action goals.

Voting Annual Review, Carbon Footprint, and Cash Flow and Membership Reports:
The Voting Annual Review presented proxy voting outcomes for 2023, emphasizing alignment with responsible investment practices and ESG principles. Proxy voting, managed by PIRC, focused on environmental and governance issues, with high engagement in areas like executive remuneration and board diversity.

The Carbon Footprint report showed a slight reduction in the Fund's exposure to fossil fuels, now at 2.1% of total assets, and a drop in investments in the Carbon Underground 200 Index to 1.42%. This reflects the Fund's commitment to decarbonization and climate resilience within its investment portfolio.

The Cash Flow and Membership Report detailed positive net cash flow trends and stable membership growth, with active participation levels supporting the Fund's long-term sustainability. These metrics were key in assessing the Fund's financial health and operational efficiency.

Investment Manager Meetings

There is also a rolling programme of routine review meetings with the Pension Fund's appointed investment managers. During 2023/24, Members of the Pension Committee met with Baillie Gifford, Legal & General Investment Management, HarbourVest, CQS, PIMCO, and Stepstone.

Investment Seminars and Conferences attended by Members
London CIV Annual General Meeting
LAPFF Business Meetings (quarterly) and AGM
LAPFF Annual Conference

Pension Board

The following table lists the membership of the Pension Board during the year and their attendance at meetings.

Attendance at Pension Board Meetings	18 October 2023
Cllr Richard Olszewski (Chair) – Council representative	YES
Vinothan Sangarapillai – Employee representative	YES
Ashleigh Calf – Employee representative	YES
Steve Worrall – Employer representative	YES

Training received by Pension Board

Members of the Board are generally invited to attend the same training sessions as those attended by the Members of the Committee where appropriate.

Board Meetings

October 2023

A set of reports from the Executive Director Corporate Resources updating the Board on Committee reports and decisions made in July 2023 and September 2023. The Board also considered the following separate items:

- Risk Register
- Investment Strategy Review

SECTION 5: INVESTMENT POLICY & PERFORMANCE

The following commentary is based on analysis provided by the Fund's performance measurer, PIRC.

Investment Review to 31 March 2023
In the 2022/23 year, the average local authority pension fund participating in PIRC's performance measurement benchmarking universe delivered an investment return of –3.3%. The Camden Pension Fund underperformed this with a -3.4% return overall. Asset Class performance was mixed, Camden's Alternative assets outperformed the PIRC average by 5.1% over the year, however performance for bonds was below the average, at -12.4% against the universe average of -8.6% and equities slightly out-performed delivering -1.1% versus the Universe average of -1.2%. The Fund's performance over all time horizons is above the strategic benchmark return of 4.4% per annum as per the 2022 triennial valuation.

2022/23 saw the average fund deliver a negative investment return. It was a good year for Alternative investments which was the only area that saw positive results, however Equity performance was flat and there was a deep decline in bond and property values which were the main contributing factors on the negative investment return.

Among LGPS funds, certain trends in asset allocation have continued. Funds reallocated assets from equities into alternative assets, and these now make up 19% of the average Fund's holdings. This year funds also began to diversify bond exposure from government to alternative forms of credit.

Across the LGPS universe, strategic asset allocation remained broadly static, and most of the changes to fund weighting came about to the ongoing movement towards more “climate-aware” equities and away from their more traditional peers, and the ongoing movement into sub-funds belong to regional Pools. This Fund did much the same, with movements into the LCIV new Paris-aligned equity fund, and an overall increased proportion of funds in LCIV sub-funds. In 2022/23, the typical percentage allocation was: equities (51%), bonds (17%), cash (2%), alternatives (17%), diversified growth (2%) and property (9%).

Equities remain the largest allocation within most funds' assets and 88% of this allocation is now invested overseas. Many funds have found themselves overweight in equities due to 2020/21's strong gains in this sector. Alternatives have increased markedly over the past decade. Private equity makes up 42% of this allocation with infrastructure and diversified growth increasing in recent years and expected to increase further.

The Camden Fund is structured differently from this average. The key difference is the relatively high level of equities, at 56% and lower investment in alternatives and bonds (22% combined). In 2020/21, this gave the Fund higher returns than the average, although it exposed the Fund to more volatility. The Investment Strategy review conducted in 2020/21 led to changes in the asset composition, and reduced the Fund's proportion of equity investments and increased the share of alternatives and bonds.

The long-term performance of the LGPS remains strong. Over 20 years the average fund delivered an annualised performance of 8.4%, well ahead of inflation. Equities have driven the strongest long-term performance. Alternatives have performed strongly due in a large part to the excellent returns from private equity. Property remains an important asset for many funds to diversify their portfolios. Bonds, the worst performing of the major asset classes, have now delivered a return below CPI over 10 years.

Asset Allocation Strategy

The Fund's assets are invested in various different investment vehicles with the objective of both generating returns to improve the funding level and diversifying investments to reduce risk. Specialist fund managers have been appointed to invest in the different asset classes within investment parameters set by the Council in conjunction with the Fund's investment advisers. The following table details the fund managers, the mandate they operate, the value of their portfolio at 31 March 2024 and their holdings expressed as a percentage of total Fund investments.

Fund Manager	**Mandate**	**Value at 31 March 2024 (£m)**	**% of Fund**
Baillie Gifford (LCIV)	Global equity	157	8%
Harris	Global equity	102	5%
L&G	Global equity	485	23%
L&G	Future World global equity	340	16%
CQS (LCIV)	Multi asset credit	313	15%
L&G	Index linked gilts	150	7%
Stepstone	Infrastructure	96	5%
Partners	Global property	67	3%
CBRE	UK property	84	4%
Aviva (LCIV)	UK property	68	3%
Affordable Housing (LCIV)	UK Property	0	0%
HarbourVest	Private equity	48	2%
Baillie Gifford (LCIV)	Diversified growth	91	4%
Cash & other		97	5%
TOTAL		**2,098**	100%

The sum of £97m classed as 'Cash & other' includes cash held at the Custodian of £96.8m and £150k of London CIV shares.

The Fund's 10 Largest Holdings as at 31 March 2024

Investment	Value at 31 March 2024	% of Total Fund
	£'000	
Legal & General	339,614	16%
Legal & General	313,396	15%
CQS (London CIV)	313,237	15%
Baillie Gifford & Co Global Alpha (LCIV)	157,596	8%
Harris Associates	149,709	7%
Baillie Gifford & Co DGF (LCIV)	95,816	5%
Partners Group	90,996	4%
CBRE	68,105	3%
Others (inc Cash)	58,096	3%
Stepstone (London CIV)	55,225	3%

Corporate Engagement and Socially Responsible Investment

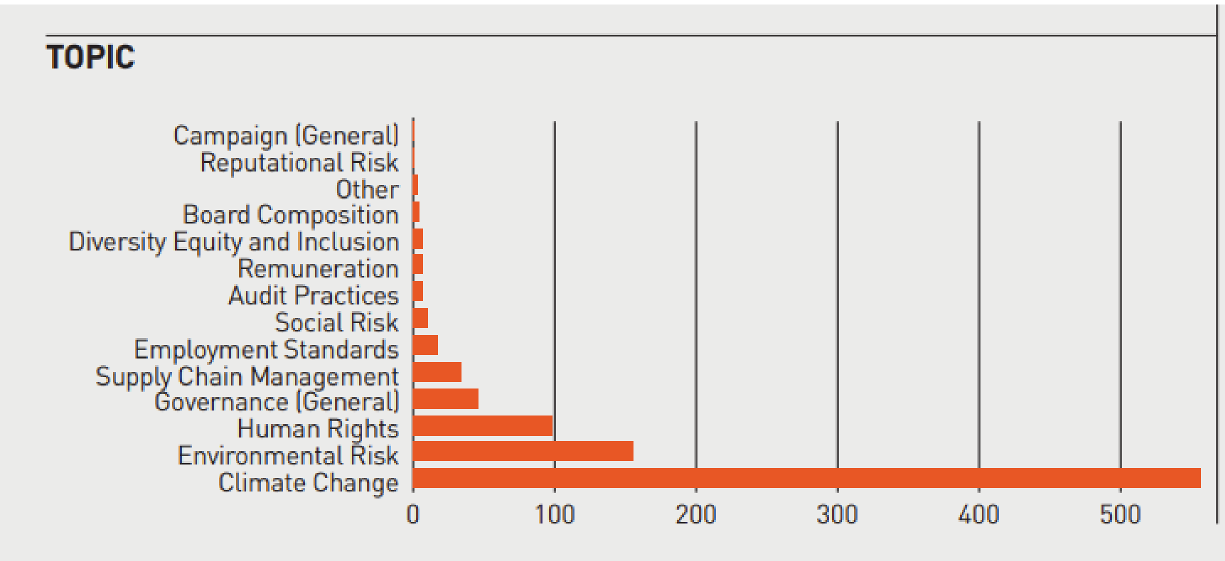
The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Investment Strategy Statement, the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund's behalf.

The Fund believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards might be expected to produce shareholder returns that are at least comparable to those produced by other companies.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF was formed in 1990 and is a voluntary association of local authority pension funds based in the UK. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which its members invest. The Forum's members currently have combined assets of more than £300 billion.

LAPFF has campaigned on a number of issues and the split of issues can be seen below. The graph is based on corporate engagement over the year to December 2023, via letters, conference calls, filed resolutions or meetings.

LAPFF ENGAGEMENT TOPICS



The 2023 LAPFF Annual Report, summarising activity and highlighting the organisation's achievements can be found via the following link:

LAPFF ANNUAL REPORT 2023

Voting Rights

The Fund believes in the role of proactive engagement as the most effective way of influencing companies in relation to social, environmental and business policies whilst at the same time achieving financial returns compatible with the Fund's longer term financial objectives. The fund therefore places great importance on the exercise of voting rights attached to the Fund's investments.

Camden has appointed PIRC to provide the services of Corporate Governance Advisor and proxy voting agent to the Fund. The aim of the advisors has been to research companies with which the Fund has voting rights, and to ensure that those voting rights are used in the most advantageous way. The Fund has agreed a bespoke voting policy and PIRC ensure that votes are cast in line with the Camden policy for all segregated company shares, as well as the proportion of shares held in pooled UK equity fund held by the Camden.

In the calendar year 2023, voting took place as follows:

Resolution Type

Vote	**Occurrences**	**Proportion**
For	6,266	68%
Against	3,004	32%
Withhold	1	0%
Abstain	0	0%
Non-Voting / Withdrawn	8	0%
US Frequency Vote on Pay	0	0%
Total	**9,279**	**100%**

Further Information

There are more details on how the Fund engages in responsible investment in Section 7 of the Investment Strategy Statement attached as **Annex 3** of this report.

SECTION 6: ACTUARIAL REPORT

Introduction

The Scheme regulations require that a full actuarial valuation is carried out every three years. The purpose of this is to establish that the Fund is able to meet its liabilities to past and present contributors and to assess the adequacy of employer contribution rates. The last full actuarial valuation into the financial position of the Fund was carried out as at 31 March 2022, in accordance with regulation 62 of the Local Government Pension Scheme Regulations 2013. The contribution rates for the 2022/23 financial year are based on the March 2019 valuation. The results of the 2022 triennial valuation which sets out the contribution rates for the financial years 2023/24 – 2025/26 were published in 2022. The triennial valuation were reported to Pensions Committee in September 2022.

Actuarial Position

1. Rates of contribution paid by the participating Employers during 2023/24 corresponded to those stipulated in the actuarial valuation carried out as at 31 March 2022.

2. The valuation as at 31 March 2022 indicated a funding ratio of 113%, with the value of the Fund's assets (£1,973 million) representing 113% of the assessed liabilities (£1,741 million). The increase in the funding ratio is primarily a result of strong investment performance over the inter-valuation period. The liabilities also decreased due to a change in actuarial assumptions (demographic, longevity, salary increases, a discount rate equal to the forecast higher investment return) all serving to reduce the value placed on future liabilities.

3. The valuation also calculated that the required level of contributions to be paid by the Fund by participating Employers (in aggregate) with effect from 1 April 2022 was as set out below:

- 20.0% of pensionable pay to meet the liabilities arising from service accruing after the valuation date by current employees.

- the following monetary amounts to the fund deficit over a period of 20 years from 1 April 2022.

Financial Year	2023/24	2024/25	2025/26
Monetary Amount	£20,568,000	£18,585,000	£17,101,000

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2022 to 31 March 2026, with comparison to the rates of 2019/20, are set out in the rates and adjustments certificate, which is appended to the actuary's final valuation report, which can be found through the following link:

Camden Pension Fund Actuarial Valuation Report 2022

5. The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.
6. The main actuarial assumptions were as follows:

Financial Assumptions	**31 March 2019 (% p.a.)**	**31 March 2022 (% p.a.)**
Discount rate	4.5%	4.4%
Price inflation	2.3%	2.7%
Pay increases	2.7%	3.2%
Benefit increases and CARE revaluation (CPI)	2.3%	2.7%

7. This report has been prepared using information from the Actuarial Valuation as at 31 March 2022 supplied by the Fund's actuaries Hymans Robertson LLP.

SECTION 7: FUNDING STRATEGY STATEMENT

Introduction

All LGPS funds are required to prepare and maintain a Funding Strategy Statement (FSS) in accordance with Regulation 35 of the Local Government Pension Scheme (Administration Regulations 2008).

The Funding Strategy Statement from December 2022 is attached as **Annex 2** of this report.

Implementation and Review

The FSS is reviewed formally at least every 3 years as part of the triennial actuarial valuation of the Fund. The valuation exercise establishes contributions for all employers contributing to the Fund for the following 3 years within the framework provided by the strategy.

The Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- if there have been significant changes to the Fund membership, or LGPS benefits.
- if there have been changes to the circumstances of any of the employers to such an extent that they impact on or warrant a change in the funding strategy.
- if there have been any significant special contributions into the Fund.
- If there have been any amendments to administration regulations.

The authority carries out detailed monitoring of investment performance on a quarterly basis via its Pension Committee. This includes monitoring of investment performance relative to the growth in the liabilities by means of quarterly funding updates provided by the actuary.

Discussions take place at regular intervals with the Actuary as to whether any significant changes have arisen which require immediate action.

SECTION 8: INVESTMENT STRATEGY STATEMENT

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 came into force on 1 November 2016 requiring funds to formulate an Investment Strategy Statement (ISS) after taking proper advice.

The ISS must include the following:

a) A requirement to invest money in a wide variety of investments;
b) The authority's assessment of the suitability of particular investments and types of investments;
c) The authority's approach to risk, including the ways in which risks are to be measured and managed;
d) The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
e) The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
f) The authority's policy on the exercise of rights (including voting rights) attaching to investments.

The Investment Strategy Statement must also set out the maximum percentage of the total value of all investments of fund money that it will invest in particular investments or classes of investment. This is known as the prudential framework and means funds now have control over limits placed on specific types of investment.

The Fund must review and revise this statement regularly and at least once every three years. The Fund also has a duty to consult relevant parties and for this Fund we will be consulting all employers who participate in the Fund.

The Investment Strategy Statement for the London Borough of Camden Pension Fund is attached at **Annex 3** of this report.

SECTION 9: COMMUNICATIONS POLICY STATEMENT

Since December 2010 pension fund information has been made available on the Camden website.

Some of the features of the website are:-

- Navigation – the pension pages can now be easily accessed by using the address www.camden.gov.uk/pensions in a web browser or by entering ‘pensions’ or ‘pension fund’ into the search facility from the Camden website homepage

- Finding information – we have adopted the principles of having a separate gateway from the pensions homepage to information

- Updating the pages – members of the Pension team have been trained in web publishing and given responsibility to ensure the pages are maintained and regularly updated

- Raising the profile of the pension pages – whenever a scheme member requests information or form (e.g. a death grant nomination form/change of bank form/details for paying additional contributions) they are encouraged to self-serve using the web pages. Reference to the web pages will be made in all communication from the Pensions Administration Shared Service and all newsletters are available in the first instance online, unless a member does not have internet access in which case they will be provided with a hard copy.

- General information for scheme members will be available via links to external websites (DWP/HMRC etc.) to help set LGPS benefits in the wider context of state benefits and general taxation

The Camden Pension Fund Communications Policy Statement is attached at **Annex 4.**

SECTION 10: FURTHER INFORMATION

Sources of help

The Pension Tracing Service

The Pension Tracing Service online holds details of pension schemes, including the LGPS, together with relevant contact addresses. It provides a tracing service for ex-members (and their dependents) with pension entitlements, who may have lost touch with earlier employers.

www.gov.uk/find-lost-pension

The Money and Pensions Service (MaPS)

The Money and Pensions Service (MaPS) is an arm's-length body sponsored by the Department for Work and Pensions, established at the beginning of 2019, and also engages with HM Treasury on policy matters relating to financial capability and debt advice. It replaces the Pensions Advisory Service. Enquiries should be addressed to:

The Money and Pensions Service
120 Holborn,
London, EC1N 2TD

Tel: 01159 659570
The Money and Pensions Service

The Pensions Regulator

The Pensions Regulator regulates pension schemes such as the LGPS and is able to intervene in the running of the scheme where managers, employers or professional advisers have failed in their statutory duties. The Regulator can be contacted at:

Napier House,
Trafalgar Place,
Brighton BN1 4DW

Tel: 0345 600 1011
www.pensionsregulator.gov.uk

The Pensions Ombudsman

If a complaint or dispute cannot be resolved, it can be passed to the Pensions Ombudsman for adjudication. The Ombudsman can investigate and determine any dispute of fact, law or maladministration involving occupational pension schemes.

This service is available to members and beneficiaries.

The Pensions Ombudsman can be contacted at the following address:

10 South Colonnade,
Canary Wharf,
London E144PU

Tel: 020 7630 2200
www.pensions-ombudsman.org.uk

Department of Levelling Up, Housing and Communities
The LGPS is a statutory pension scheme with regulations laid down by Parliament by the Secretary of State for Levelling Up, Housing and Communities.

The Secretary of State can be contacted by writing to:

Secretary of State for Levelling Up, Housing and Communities
2 Marsham Street
London SW1P 4DF
Tel: 0303 444 0000
Department for Levelling Up, Housing and Communities - GOV.UK (www.gov.uk)

SECTION 11: GLOSSARY OF PENSION TERMS

Accrual

The recognition of income and expenditure as it is earned or incurred, rather than as cash is received or paid.

Active Mandate

A portfolio management strategy where the manager actively builds and repositions portfolios to take advantage of apparently favourable market opportunities. It results in portfolios which differ in terms of holdings or weightings from the structure of the manager's benchmark.

Actuary

An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The actuary then produces a report, known as the actuarial valuation report, which compares the Fund's assets with its liabilities and prescribes the rates at which the employing bodies must contribute.

Added years

Additional service that a member of the Fund can buy by paying extra contributions to the Fund providing that HM Revenue & Customs limits on pension and contributions are not exceeded.

Additional Voluntary Contributions (AVC's)

An option available to individual members to secure additional pension benefits by making regular payments to the Pension Fund's AVC provider.

Asset Allocation

The apportionment of a fund's assets between asset classes and/or world markets. The long-term strategic asset allocation of a fund will reflect the fund's investment objectives. In the short term, the fund manager can aim to add value through tactical asset allocation decisions.

Asset Class

A collective term for investments of a similar type. The main asset classes are equities (shares), bonds, cash and property.

Benchmark

A yardstick against which the investment policy of performance of a fund manager can be compared. Asset allocation benchmarks vary from peer group (e.g. the average fund as measured by one of the performance companies) to customized benchmarks tailored to a particular fund's requirements.

Career Average Revalued Earnings (CARE) Scheme

A pension scheme that provides a pension/lump sum or pension calculated as a proportion of a member's average pay throughout their membership, and dependent on the length of membership in the scheme.

Cash Transfer Values

The capital value of a benefit entitlement paid into or withdrawn from the Fund when an employee joins or leaves the scheme with a pension transfer.

Corporate Bond

Strictly speaking, corporate bonds are those issued by companies. Generally, however, the term is used to cover all bonds other than those issued by Governments in their own currencies. Therefore the credit sector, as it is often known, includes issues by companies, supranational organizations and Government agencies.

Custody

Administering of securities by a financial institution. The custodian keeps a record of a client's investments and may also collect income, process tax claims and provide other services, according to client instructions.

Deferred Pension

The pension benefit payable from Normal Retirement Age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before retirement age.

Defined Benefit Scheme

A type of pension scheme where the pension that will ultimately be paid to the employee is fixed, usually as a percentage of final salary. It is the responsibility of the sponsoring organisation to ensure that sufficient assets are set aside to meet the pension promise.

Diversification

The spreading of investment funds among different types of assets, markets and geographical areas in order to reduce risk.

Emerging Markets

Stock Markets in developing countries (as defined by the World Bank).

Equities

Ordinary shares in UK and Overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder meetings.

Final Pensionable Pay

Pensionable Pay earned in the last 12 months before retirement (or any one of the previous two years if annual earnings in either of these years are higher).

Final Salary Scheme

A pension scheme that provides a pension/lump sum or pension calculated as a proportion of a member's pay in their last year of membership depending on the length of membership in the scheme.

Fixed Interest

An income stream which remains constant during the life of the asset, such as income derived from bonds, annuities and preference shares.

Fixed Interest Securities

Investments, mainly in Government stocks, which guarantee a fixed rate of interest. Investments in Government stocks represent loans to Government which are repayable on a stated future date.

Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market

Mandate

The agreement between a client and investment manager outlining how the fund is to be managed. May include performance targets by reference to a benchmark.

Passive Management

A portfolio management strategy where a portfolio is designed on a long-term basis to meet specific return parameters (e.g. achieving a target rate of return, matching a set of future liabilities, matching a benchmark return). A passive index fund, where most or all of a specified market index's constituent securities are owned in the same proportion as the index in order to match its return, is a common form of management.

Pensionable Pay

Basic pay excluding non-contractual overtime, bonus and shift payments.

Pooled Funds

Pooled Funds are funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Return

The value received (Income plus capital) annually from an investment, usually expressed as a percentage.

Unlisted Securities

Holdings in companies which do not form part of the main stock market. They may be developing companies or smaller companies whose shares are not frequently traded. Unlisted securities are usually less liquid than those traded in the main markets.

Valuation

A summary of an investment portfolio showing the holdings and their value as at a certain date.

Abbreviations

CIPFA Chartered Institute of Public Finance and Accountancy

MHCLG Ministry, of Housing Communities, and Local Government until September 2021, when it was renamed to the Department for Levelling Up, Housing and Communities (DLUHC)

LGPS Local Government Pension Scheme

SORP Statement of Recommended Practice

ANNEX 1: GOVERNANCE COMPLIANCE STATEMENT

GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure

	Not Compliant *				**Fully Compliant**
(a)					The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.
(b)					Representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
(c)					Where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

	Not Compliant *				Fully Compliant
(d)					Where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel

The Council does not comply with Principle A – Structure (b) in so far as there are no representatives of the participating admitted bodies on the Pension Committee. However, admitted bodies are advised of meeting agendas and reports, and encouraged to attend each committee meeting.

The majority of our admitted bodies have very small scheme membership and their individual circumstances vary very significantly with the result that it is difficult to identify a representative body from amongst them. Neither would the level of employer contributions for these bodies be significantly affected by the investment activity of the Fund as a whole.

There is representation for both active and retired members through the attendance of Trade Unions who have non-voting observer status. However there is no representation for deferred members.

B – Representation

	Not Compliant *	Fully Compliant
(a)	All key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:	

(i)					employing authorities (including non-scheme employers, e.g. admitted bodies)
(ii)					scheme members (including pensioner scheme members)
(iii)				where appropriate independent professional observers,	
(iv)				expert advisors (on an ad-hoc basis)	

	Not Compliant *				**Fully Compliant**
(b)				Where lay members sit on a main or secondary committee. They are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights	

The Council does not comply with Principle B – Representation (a)(iii)

The Council partially complies with Principle B – Representation (b) on this aspect in so far as lay-members have equal access to all non-confidential papers and meetings. The observer status granted enables them to contribute to the decision making process. Equally such lay-members have access to training items included within Committee agendas although they are not automatically entitled to attend external training events where payment is required.

C – Selection and role of lay members

	Not Compliant *				**Fully Compliant**
(a)					Committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee
(b)					That at the start of any meeting, committee members are invited to declare any financial or interest related to specific matters on the agenda

Information is given via the Council’s Constitution, Committee Terms of Reference, and advice from suitably qualified officers.

D – Voting

	Not Compliant *	**Fully Compliant**

(a)					Policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

All elected members sitting on LGPS Committees have voting rights as a matter of course. It is a policy of the Pension Committee that voting rights are not to be conferred on others attending the Pension Committee meetings as they are not members of the administering authority which has the responsibility in law to administer the Scheme.

E – Training/Facility time/Expenses

	Not Compliant *				**Fully Compliant**
(a)				In relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process	
(b)			Where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum		

(c)				The administering authority considers the adoption of annual training plans for committee members and maintains a log of such training.	

The Council partially complies with Principle E – Training/Facility time/Expenses (a)
The relevant rules regarding training, facility time and reimbursement of expenses are those applied generally to Members as part of the Council's Constitution. The policy of the Pension Committee is that when members attend Pension Fund Seminars, meetings and functions etc. the expenses are to be fully paid by the Pension Fund.

The Council partially complies with Principle E (b)
No relevant policy exists and so the principle is not applicable

The Council partially complies with principle E(c) as members are encouraged to utilise training opportunities that are shown in the Business Plan for each meeting and a log is kept of all training undertaken. Training sessions are usually run in May and November.

F – Meetings (frequency/quorum)

	Not Compliant *				**Fully Compliant**
(a)					An administering authority's main committee or committees meet at least quarterly
(b)					An administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits

(c)					That an administering authority who does not include lay members in their formal governance arrangements provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
The Council complies with Principle F – Meetings (c) - As Admitted Bodies are consulted on matters relating to valuation and contributions via an employer forum mechanism.					

G – Access

	Not Compliant *				**Fully Compliant**
(a)					Subject to any rules in the councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee

Union Observers (who are not full members of the main committee) now have access to confidential papers considered by the main committee and have signed confidentiality agreements not to disclose sensitive information they are privy to. The Council operates on a clear principle of keeping such confidential items to a minimum. The Council has no secondary committees or panels.

H – Scope

	Not Compliant *				**Fully Compliant**
(a)				.	Administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

The Committee’s Terms of Reference include consideration of matters other than those related to investment and these include for example discussions relating to issues concerned with future changes to the LGPS Scheme.

I – Publicity

	Not Compliant *	**Fully Compliant**

(a)					Administering authorities have published details of their governance arrangement in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

The Council has published summary details of the governance arrangements via a general governance statement. The Council's website contains further details of the democratic arrangements applying to the Pension Committee and a summary of the Pension Fund's voting policy is also included amongst those webpages.

HYMANS ROBERTSON

London Borough of Camden Pension Fund Funding Strategy Statement

December 2022

London Borough of Camden Pension Fund

Contents

London Borough of Camden Pension Fund

1 Welcome to London Borough of Camden Pension Fund's funding strategy statement

This document sets out the funding strategy statement (FSS) for London Borough of Camden Pension Fund.

The London Borough of Camden Pension Fund is administered by the London Borough of Camden, known as the administering authority. The London Borough of Camden worked with the fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 6 December 2022.

There's a regulatory requirement for the London Borough of Camden to prepare an FSS. You can find out more about the regulatory framework in Annex A. If you have any queries about the FSS, contact james.gilliland@camen.gov.uk.

1.1 What is the London Borough of Camden Pension Fund?

The London Borough of Camden Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. The administering authority runs the fund on behalf of participating employers, their employees and current and future pensioners. You can find out more about roles and responsibilities in Annex B.

1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations.

1.3 Who is the FSS for?

The FSS is mainly for employers participating in the fund, because it sets out how money will be collected from them to meet the fund's obligations to pay members' benefits.

Different types of employers participate in the fund:

Scheduled bodies

Employers who are specified in a schedule to the LGPS regulations, including councils and employers like academies and some further education establishments. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

Designating employers

Certain classes of employer can join the LGPS through a resolution. If a resolution is passed, the fund can't refuse entry. The employer then decides which employees can join the scheme.

Admission bodies

Other employers can join through an admission agreement. The fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes:

- contractors providing outsourced services (like cleaning or catering to a scheduled body), who are sometimes referred to as **transferee admission bodies** (TABs) and
- employers with a community of interest with another scheme employer, such as charities and housing associations, who may be referred to as **community admission bodies** (CABs).

"TABs" and "CABs" are terms which aren't defined under current regulations but remain in common use from previous regulations.

1.4 How does the funding strategy link to the investment strategy?

The funding strategy sets out how money will be collected from employers to meet the fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority. You can find the investment strategy at [Investment Strategy Statement (Section 8 and Annex 4)].

The funding and investment strategies are closely linked. The fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

1.5 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Annex A)

1.6 How is the funding strategy specific to the London Borough of Camden Pension Fund?

The funding strategy reflects the specific characteristics of the fund employers and its own investment strategy.

2 How does the fund calculate employer contributions?

2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS

regulations. Employer contributions are made up of two

elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the fund's expenses.

The fund actuary uses a model to project each employer's asset share over a range of future economic scenarios. Further details can be found in Annex D. The contribution rate takes each employer's assets into account as well as the projected benefits due to their members. The value of the projected benefits is worked out using employer membership data and the assumptions in Annex D.

The total contribution rate for each employer is then based on:

- **the funding target** – how much money the fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the funding target
- **the likelihood of success** – the proportion of modelled scenarios where the funding target is met.

This approach takes into account the maturing profile of the membership when setting employer contribution rates.

The fund permits the prepayment of employer contributions in specific circumstances. If you would like further information please contact the fund.

2.2 The contribution rate calculation

Table 2: contribution rate calculation for individual or pooled employers

Type of employer	Scheduled bodies		CABs and designating employers		TABs*
Sub-type	Local authority	Academies (including Free Schools)	Open to new entrants	Closed to new entrants	(all)
Funding target	Ongoing	Ongoing	Ongoing, but may move to low-risk exit basis		Contractor exit basis, assuming fixed-term contract in the fund
Likelihood of success	The fund has carried out an employer risk profiling exercise and an appropriate level of probability for achieving target has been attributed to each employer according to that profile. The probability levels applied are 55%, 70%, 75%, or 80%.				
Maximum time horizon	20 years	17 years	15 years	Expected average future working lifetime of active members	Outstanding contract term

Type of employer	Scheduled bodies		CABs and designating employers		TABs*
Sub-type	Local authority	Academies (including Free Schools)	Open to new entrants	Closed to new entrants	(all)
Primary rate approach	The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon				
Secondary rate	Monetary amount	% of payroll	% of payroll	Monetary amount	% of payroll
Stabilised contribution rate?	Yes	No	No	No	No
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority	Preferred approach: contributions kept at primary rate. Reductions may be permitted by the administering authority		Reduce contributions by spreading the surplus over the remaining contract term
Phasing of contribution changes	Covered by stabilisation arrangement	3 years	3 years	3 years	None

** Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus*
See Annex D for further information on funding targets.

2.3 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. Where appropriate, contributions are set with this objective in mind. The fund adopts a stabilised approach to setting contributions for the council, as noted in the table above, which keeps contribution variations within a pre-determined range from year-to-year. The council is a large, secure, long-term employer which can better absorb the short term funding level volatility over the longer term.

After taking advice from the fund actuary, the administering authority believes a stabilised approach is a prudent longer-term strategy for the council. For other employers, contribution increases or decreases may be phased.

On the basis of extensive modelling carried out for the 2022 valuation exercise, the stabilised council contributions will reduce by the equivalent of approximately 1% of payroll for each of the three years from 1 April 2023 ending 31 March 2026.

Stabilisation criteria and limits are reviewed during the valuation process. The administering authority may review them between valuations to respond to membership or employer changes.

2.4 Reviewing contributions between valuations

The fund may amend contribution rates between formal valuations, in line with its policy on contribution reviews. The fund’s policy is available from the administering authority upon request. The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

2.5 What is pooling?

The administering authority may operate a contribution rate pool for certain types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In a contribution rate pool, contributions are set to target full funding for the pool as a whole, rather than for individual employers.

Employers in a pool maintain their individual funding positions, tracked by the fund actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand- alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate. Setting contributions in this way means that while the fund receives the contributions required, the risk that employers develop a surplus or deficit increases.

Pooled employers are identified in the rates and adjustments certificate and only have their pooled contributions certified. Individual contribution rates aren't disclosed to pooled employers, unless agreed by the administering authority.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

If an employer leaves the fund, the required contributions are based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

2.6 What are the current contribution pools?

- **Schools** – generally pool with the council, although there may be exceptions for specialist or independent schools.
- **Smaller TABs** – may be pooled with the letting employer.

2.7 Administering authority discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the administering authority may adopt alternative funding approaches on a case-by-case basis.

Additionally, the administering authority may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond, a legally binding guarantee from an appropriate third party, or security over an asset.

The fund permits the prepayment of employer contributions in specific circumstances. Further details can be obtained from the fund.

3 What additional contributions may be payable?

3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers may be asked to pay additional contributions called strain payments.

Employers typically make strain payments as a single lump sum, though strain payments may be spread if the administering authority agrees:

Council	- up to 5 years
CABs and designating employers	- up to 3 years
Academies	- up to 3 years
TABs	- payable immediately

3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, their employer must pay a funding strain, which may be a large sum.

To mitigate this, employers may choose to use external insurance made available by the fund.

4 How does the fund calculate assets and liabilities?

4.1 How are employer asset shares calculated?

The fund adopts a cashflow approach to track individual employer assets.

Each fund employer has a notional share of the fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the fund actuary will calculate assets linked to the value of the liabilities transferring (see section 4.2).

4.2 How are employer liabilities calculated?

The fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Annex D, the fund actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 2 for further information on rates.

5 What happens when an employer joins the fund?

5.1 When can an employer join the fund

Employers can join the fund if they are a new scheduled body or a new admission body. New designated employers may also join the fund if they pass a designation to do so.

On joining, the fund will determine the assets and liabilities for that employer within the Fund. The calculation will depend on the type of employer and the circumstances of joining.

A contribution rate will also be set. This will be set in accordance with the calculation set out in Section 2, unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement). More details on this are in Section 5.4 below.

5.2 New academies/free schools

New academies (including free schools) join the fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the fund actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion. The fund treats new academies as separate employers in their own right, who are responsible for their allocated assets and liabilities. They won't be pooled with other employers unless the academy is part of a multi-academy trust (MAT). If they are part of a MAT, the new academy may be combined with the other MAT academies to set contribution rates. The new academy's contribution rate is based on the current funding strategy (set out in section 2) and the transferring membership.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Department for Levelling Up, Housing and Communities or the Department for Education. Any changes will be communicated and reflected in future funding strategy statements.

5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the fund because an existing employer (usually a scheduled body such as the council or an academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the fund actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. You can find more details on outsourcing options from the administering authority or in the contract admission agreement.

5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, eg set up of a wholly owned subsidiary company by the Council. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designated employers may also join the fund. Contribution rates will be set using the same approach as other designated employers in the fund.

5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the fund actuary assesses this because the assessment must be carried out to the administering authority's satisfaction.

After considering the assessment, the administering authority may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements, if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the fund won't pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

7 What happens when an employer leaves the fund?

7.1 What is a cessation event?

Triggers for considering cessation from the fund are:

- the last active member stops participation in the fund. The administering authority, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the administering authority will instruct the fund actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the fund leaves the scheme.

7.2 What happens on cessation?

The administering authority must protect the interests of the remaining fund employers when an employer leaves the scheme. The actuary aims to protect remaining employers from the risk of future loss. The funding target adopted for the cessation calculation is below. These are defined in Annex D.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Annex D.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation. Where the guarantor is a guarantor of last resort, this will have no effect on the cessation valuation. If instead the guarantor is taking on future responsibility for the exiting employer's fund obligations, cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) on joining the fund.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within guarantee terms.

If the fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other fund employers. This may require an immediate revision to the rates and adjustments certificate or be reflected in the contribution rates set at the next formal valuation.

The fund actuary charges a fee for cessation valuations. Fees and expenses are at the employer's expense and are recharged by the fund via invoice.

The cessation policy is currently being reviewed but will be available from the fund once finalised.

7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities, an exit credit **may** be payable to the exiting employer. The administering authority can decide how much will be paid back to the employer (which could be £nil) based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (like risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

The exit credit policy is available from the administering authority upon request.

7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period, if the employer enters into a debt spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, it stays in the fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

The employer flexibility on exit policy will be available in the fund's cessation policy, which is currently under review.

7.5 What if an employer has no active members?

When employers leave the fund because their last active member has left, they may be required to pay a cessation debt, be eligible to receive an exit credit, or be able to enter a DDA/DSA. Beyond this they have no further obligation to the fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other fund employers will be required to contribute to the remaining benefits. The fund actuary will portion the liabilities on a pro-rata basis at formal valuations

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The fund actuary will apportion the remaining assets to the other fund employers

8 What are the statutory reporting requirements?

8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report should include confirmation that employer contributions are set at the right level to ensure the fund's solvency and long-term cost efficiency.

8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the fund can realise contingencies to target a 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the administering authority may consider absolute and relative

factors. Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the fund’s actuarial bases don’t offer straightforward comparisons.

Annexes

Annex A – The regulatory framework

A1 Why do funds need a funding strategy statement?

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a funding strategy statement (FSS). According to the Department for Levelling Up, Housing and Communities (DLUHC) the purpose of the FSS is to document the processes the administering authority uses to:

- *establish a **clear and transparent fund-specific strategy** identifying how employers' pension liabilities are best met going forward*
- *support the regulatory framework to maintain **as nearly constant employer contribution rates as possible***
- *ensure the fund meets its **solvency and long-term cost efficiency** objectives*
- *take a **prudent longer-term view** of funding those liabilities.*

To prepare this FSS, the administering authority has used guidance by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A2 Consultation

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

In practice, for the fund, the consultation process for this FSS was as follows:

- There was an Employers Forum on 14 November 2022 at which questions regarding the fund's funding strategy could be raised and answered;
- A revised version of the FSS was issued to all participating employers in November 2022 for comment;
- Comments were requested by 5 December 2022;
- A draft version of the FSS was presented to the Pensions Committee on 5 December 2022, with Admitted Bodies' attention being drawn to the Meeting papers at that time;
- Following the end of the consultation period and Pension Committee the FSS was updated where required and then published, in December 2022.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the website, at https://www.camden.gov.uk/pensions#yqyo
- A copy sent by e-mail to each participating employer in the fund;

- A full copy included in the annual report of the fund;
- Copies sent to independent advisers;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee and included in the Committee meeting minutes.

A5 How does the FSS fit into the overall fund documentation?

The FSS is a summary of the fund's approach to funding liabilities. It isn't exhaustive – the fund publishes other statements such as its investment strategy statement, governance strategy and communications strategy. The fund's annual report and accounts also includes up-to-date fund information.

You can see all fund documentation at https://www.camden.gov.uk/pensions#yqyo

Annex B – Roles and responsibilities

B1 The administering authority:

1. operates the fund and follows all Local Government Pension Scheme (LGPS) regulations
2. manages any conflicts of interest from its dual role as administering authority and a fund employer
3. collects employer and employee contributions, investment income and other amounts due
4. ensures cash is available to meet benefit payments when due
5. pays all benefits and entitlements
6. invests surplus money like contributions and income which isn't needed to pay immediate benefits, in line with regulation and the investment strategy
7. communicates with employers so they understand their obligations
8. safeguards the fund against employer default
9. works with the fund actuary to manage the valuation process
10. provides information to the Government Actuary's Department so they can carry out their statutory obligations
11. consults on, prepares and maintains the funding and investment strategy statements
12. tells the actuary about changes which could affect funding
13. monitors the fund's performance and funding, amending the strategy statements as necessary
14. enables the local pension board to review the valuation process.

B2 Individual employers:

1. deduct the correct contributions from employees' pay
2. pay all contributions by the due date
3. have appropriate policies in place to work within the regulatory framework
4. make additional contributions as agreed, for example to augment scheme benefits or early retirement strain
5. tell the administering authority promptly about any changes to circumstances, prospects or membership which could affect future funding.
6. make any required exit payments when leaving the fund.

B3 The fund actuary:

1. prepares valuations, including setting employers' contribution rates, agreeing assumptions, working within FSS and LGPS regulations and appropriately targeting fund solvency and long-term cost efficiency
2. provides information to the Government Actuary Department so they can carry out their statutory obligations
3. advises on fund employers, including giving advice about and monitoring bonds or other security
4. prepares advice and calculations around bulk transfers and individual benefits

5 assists the administering authority to consider changes to employer contributions between formal valuations

6 advises on terminating employers' participation in the fund

7 fully reflects actuarial professional guidance and requirements in all advice.

B4 Other parties:

1 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the funding strategy statement

2 investment managers, custodians and bankers play their part in the effective investment and dis-investment of fund assets in line with the ISS

3 auditors comply with standards, ensure fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

4 governance advisers may be asked to advise the administering authority on processes and working methods

5 internal and external legal advisers ensure the fund complies with all regulations and broader local government requirements, including the administering authority's own procedures

6 the Department for Levelling Up, Housing and Communities, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

Annex C – Risks and controls

C1 Managing risks

The administering authority has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the local pension board is set out in the board terms of reference available here:
Item 11 - LGPS Governance consultation (camden.gov.uk)

Details of the key fund-specific risks and controls are set out in the risk register: .
https://democracy.camden.gov.uk/documents/s105408/Item%2012%20-%20Risk%20Register%20-

%20appendix%201.pdf

C2 Financial risks

Set out in the risk register linked above.

C3 Demographic risks

Set out in the risk register linked above.

C4 Regulatory risks

Set out in the risk register linked above.

C5 Governance risks

Set out in the risk register linked above.

C6 Employer covenant assessment and monitoring

Many of the employers participating in the fund, such as admitted bodies (including TABs and CABs), have no local tax-raising powers. The fund assesses and monitors the long-term financial health of these employers, where appropriate, to assess an appropriate level of risk for each employer's funding strategy.

C7 Climate risk and TCFD reporting

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has included climate scenario stress testing in the contribution modelling exercise for the council at the 2022 valuation. The modelling results under the stress tests were slightly worse than the core results but were still within risk tolerance levels, particularly given the severity of the stresses applied. The results provide assurance that the modelling approach does not significantly underestimate the potential impact of climate change and that the funding strategy is resilient to climate risks. The results of these stress tests may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

The same stress tests were not applied to the funding strategy modelling for smaller employers. However, given that the same underlying model is used for all employers and that the council makes up the vast majority of the fund's assets and liabilities, applying the stress tests to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has an Investment Belief Statement which was agreed by Pensions Committee on 26 September 2019.

Annex D – Actuarial assumptions

The fund's actuary uses a set of assumptions to determine the strategy, and so assumptions are a fundamental part of the funding strategy statement.

D1 What are assumptions?

Assumptions are used to estimate the benefits due to be paid to members. Financial assumptions determine the amount of benefit to be paid to each member, and the expected investment return on the assets held to meet those benefits. Demographic assumptions are used to work out when benefit payments are made and for how long.

The funding target is the money the fund aims to hold to meet the benefits earned to date.

Any change in the assumptions will affect the funding target and contribution rate, but different assumptions don't affect the actual benefits the fund will pay in future.

D2 What assumptions are used to set the contribution rate?

The fund doesn't rely on a single set of assumptions when setting contribution rates, instead using Hymans Robertson's Economic Scenario Service (ESS) to project each employer's assets, benefits and cashflows to the end of the funding time horizon.

ESS projects future benefit payments, contributions and investment returns under 5,000 possible economic scenarios, using variables for future inflation and investment returns for each asset class, rather than a single fixed value.

For any projection, the fund actuary can assess if the funding target is satisfied at the end of the time horizon.

Table: Summary of assumptions underlying the ESS, 31 March 2022

		Annualised total returns								
		Cash	Index Linked Gilts (long)	Private Equity	Property	Listed Infrastructure Equity	Diversified Growth Fund (low equity beta)	Multi Asset Credit (sub inv grade)	All World Equity GBP Hedged	Inflation (CPI)
10 years	16th %'ile	0.8%	-3.1%	-1.2%	-0.6%	-1.1%	1.4%	1.7%	-0.3%	1.6%
	50th %'ile	1.8%	-0.7%	9.4%	4.4%	4.9%	3.2%	3.5%	5.9%	3.3%
	84th %'ile	2.9%	2.0%	20.1%	9.5%	10.9%	5.1%	5.2%	11.9%	4.9%
20 years	16th %'ile	1.0%	-2.6%	2.4%	1.4%	1.2%	2.1%	2.8%	1.9%	1.2%
	50th %'ile	2.4%	-0.9%	10.0%	5.0%	5.6%	3.8%	4.4%	6.4%	2.7%
	84th %'ile	4.0%	0.8%	17.6%	8.9%	10.1%	5.7%	6.0%	11.0%	4.3%
40 years	16th %'ile	1.2%	-1.1%	4.7%	2.6%	2.6%	2.5%	3.6%	3.5%	0.9%
	50th %'ile	2.9%	0.3%	10.3%	5.5%	6.1%	4.4%	5.3%	6.8%	2.2%
	84th %'ile	4.9%	1.9%	16.1%	8.8%	9.8%	6.5%	7.1%	10.4%	3.7%
	Volatility (Disp) (5 yr)	2%	9%	30%	15%	18%	5%	6%	18%	3%

D3 What financial assumptions were used? Future investment returns and discount rate

The fund uses a risk-based approach to generate assumptions about future investment returns over the funding time horizon, based on the investment strategy.

The discount rate is the annual rate of future investment return assumed to be earned on assets after the end of the funding time horizon. The discount rate assumption is set as a margin above the risk-free rate. UK Government Bond yields are used in funding as an objective measure of the risk-free rate of return.

Assumptions for future investment returns depend on the funding objective.

	Employer type	Margin above risk-free rate
Ongoing basis	All employers except transferee admission bodies and closed community admission bodies	2.1%
Low-risk exit basis	Community admission bodies closed to new entrants	0%
Contractor exit basis	Transferee admission bodies	A margin consistent with the approach used to allocate assets to the employer on joining the fund

Discount rate (for funding level calculation as at 31 March 2022 only)

For the purpose of calculating a whole fund funding level at the 2022 valuation, a discount rate of 4.4% applies.

This is based on a prudent estimate of investment returns, specifically, that there is an 70% likelihood that the

fund's assets will achieve future investment returns of 4.4% over the 20 years following the 2022 valuation date.

For certain employers that will cease based on a different discount rate from above, the funding levels have been calculated with reference to the relevant discount rate approach.

Pension increases and CARE revaluation

Deferment and payment increases to pensions and revaluation of CARE benefits are in line with the Consumer Price Index (CPI) and determined by the regulations.

The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation projected over 20 years from the ESS was 2.7% pa on 31 March 2022.

Salary growth

The salary increase assumption at the latest valuation has been set to 0.5% above CPI pa plus a promotional salary scale.

D4 What demographic assumptions were used?

Demographic assumptions are best estimates of future experience. The fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in their results.

Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2021 version of the continuous mortality investigation (CMI) published by the actuarial profession. The starting point has been adjusted by

+0.25% to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

The smoothing parameter used in the CMI model is 7.0. There is little evidence currently available on the long- term effect of Covid-19 on life expectancies. To avoid an undue impact from recently mortality experience on long-term assumptions, no weighting has been placed on data from 2020 and 2021 in the CMI.

Other demographic assumptions	
Retirement in normal health	Members are assumed to retire at the earliest age possible with no pension reduction.
Promotional salary increases	Sample increases below
Death in service	Sample rates below

Withdrawals	Sample rates below
Retirement in ill health	Sample rates below
Family details	A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. Beyond retirement the proportion is adjusted for assumed dependant mortality. Males are assumed to be 3 years older than females, and partner dependants are assumed to be opposite sex to members.
Commutation	50% of maximum tax-free cash
50:50 option	1.0% of members will choose the 50:50 option.

Males

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.17	404.31	894.31	0.00	0.00	0.00	0.00
25	117	0.17	267.06	590.73	0.00	0.00	0.00	0.00
30	131	0.20	189.49	419.07	0.00	0.00	0.00	0.00
35	144	0.24	148.05	327.39	0.10	0.07	0.02	0.01
40	150	0.41	119.20	263.50	0.16	0.12	0.03	0.02
45	157	0.68	111.96	247.46	0.35	0.27	0.07	0.05
50	162	1.09	92.29	203.75	0.90	0.68	0.23	0.17
55	162	1.70	72.68	160.53	3.54	2.65	0.51	0.38
60	162	3.06	64.78	143.02	6.23	4.67	0.44	0.33

Females

Incidence per 1000 active members per year								
Age	Salary scale	Death before retirement	Withdrawals		Ill-health tier 1		Ill-health tier 2	
		FT &PT	FT	PT	FT	PT	FT	PT
20	105	0.10	352.42	514.11	0.00	0.00	0.00	0.00
25	117	0.10	237.14	345.88	0.10	0.07	0.02	0.01
30	131	0.14	198.78	289.90	0.13	0.10	0.03	0.02
35	144	0.24	171.57	250.12	0.26	0.19	0.05	0.04
40	150	0.38	142.79	208.09	0.39	0.29	0.08	0.06
45	157	0.62	133.25	194.16	0.52	0.39	0.10	0.08
50	162	0.90	112.34	163.52	0.97	0.73	0.24	0.18
55	162	1.19	83.83	122.13	3.59	2.69	0.52	0.39
60	162	1.52	67.55	98.31	5.71	4.28	0.54	0.40

D5 What assumptions apply in a cessation valuation following an employer's exit from the fund?

Low-risk exit basis

Where there is no guarantor, the low-risk exit basis will apply.

The financial and demographic assumptions underlying the low-risk exit basis are explained below:

1. The discount rate is set equal to the annualised yield on long dated government bonds at the cessation date, with a 0% margin. This was 1.7% pa on 31 March 2022.
2. The CPI assumption is based on Hymans Robertson's ESS model. The median value of CPI inflation from the ESS was 2.7% pa on 31 March 2022.
3. Life expectancy assumptions are those used to set contribution rates, with one adjustment. A higher long-term rate of mortality improvements of 1.75% pa is assumed.

Contractor exit basis

Where there is a guarantor (eg in the case of contractors where the local authority guarantees the contractor's admission in the fund), the contractor exit basis will apply.

The financial and demographic assumptions underlying the contractor exit basis are equal to those set for calculating contributions rates. Specifically, the discount rate is set based on a margin above the risk-free rate consistent with the approach used to allocate assets to the employer on joining the fund.

LONDON BOROUGH OF CAMDEN PENSION FUND

ANNEX 3: INVESTMENT STRATEGY STATEMENT

1. INTRODUCTION

1.1 All Local Government Pension Scheme (LGPS) funds are required to have an Investment Strategy Statement (ISS). Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 governs the requirements of this statement. This Fund has complied fully with these requirements.

1.2 The ISS deals with the Investment Strategy and includes how a Fund diversifies its assets, the choice of various investment classes and their suitability for the Fund, the authority's approach to risk and risk management, how the Fund will pool its investments in-line with the Government's pooling agenda, the Fund's approach to social, environmental and corporate governance considerations and how the Fund approaches its voting rights attached to holdings (normally stocks and shares).

1.3 The ISS also sets out the maximum percentage of investments that it will invest in particular investments or investment classes. This so called prudential framework replaces the requirements in schedule 1 of the LGPS (management and investment of funds) regulations 2009.

1.4 The Fund must have its initial ISS in place by 1 April 2017 and then must ensure it is regularly reviewed at intervals no longer than every three years.

2. BACKGROUND

2.1 The London Borough of Camden Pension Fund, (the Fund) is a Career Average Revalued Earnings (CARE) defined benefit pension scheme established by statute, operating under the Public Sector Pensions Act 2013. It provides retirement and death benefits for eligible members and their dependants. The benefits are defined in law and increased each year in-line with movements in inflation (Consumer price inflation).

2.2 The Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pensions Committee has responsibility for establishing investment policy and ongoing implementation.

2.3 The Pension Committee receives advice from the Executive Director Corporate Services, the Actuary, the Investment Consultant and Independent Investment Advisor. Day to day management of the Fund is delegated to appointed professional investment managers each of which is regulated by the Financial Conduct Authority and Prudential Regulation Authority, or an equivalent overseas regulator. Each investment manager operates under a specific Investment Management Agreement with investment guidelines, which governs the scope of its investment activities for the Fund. The Fund also invests in a number of investment vehicles which are governed by own their prospectus and associated agreements.

2.4 The Pension Board first met in July 2015 and has been constituted with terms of reference agreed by Council on 20 May 2015. The Board's terms of reference require it to ensure the Fund complies with the regulations and other legislation relating to the governance and administration of the scheme and requirement of the Pensions Regulator. It must also ensure the effective and efficient governance and administration of the scheme.

2.5 Professional advice was sought from the Investment Consultant and Independent Investment Adviser in the preparation of this document.

2.6 The main responsibilities of key stakeholders and participants involved in the Pension Fund are set out in Annex I.

3. DIVERSIFICATION

3.1 It is important to have a properly diversified portfolio of assets in order to reduce overall portfolio risk and volatility. This should ensure that if a single investment class is not performing well, performance should be balanced by other investment which are doing better at that time. The Fund believes that diversification of assets is in the best long term interests of the scheme beneficiaries.

3.2 The key benefit of the Fund's preferred strategy is the reduced volatility it offers relative to the Fund's liabilities. This can be seen most clearly in the improved return/risk ratio.

3.3 For each unit of risk taken, the preferred strategy generates a higher level of return. The main reason for this is the diversification benefits derived from taking a broader range of investment risks.

3.4 Increased diversification means the likelihood of very poor outcomes is materially reduced.

3.5 The Fund last reviewed its investment strategy in July 2020. These reports are very detailed and comprehensive reviews considering important themes such as diversification, risk versus return for various investment strategies and next steps for the Fund's strategic asset allocation.

3.6 Traditionally pension funds had a defensive allocation to bonds and a risk seeking allocation to stocks and shares (equities). Over time Funds have seen the benefits of diversification away from these core traditional asset classes. This Fund is highly diversified and has asset allocations to equities, bonds, property, diversified growth funds and private equity. The last three asset classes belong to the alternative asset class and are important tools used to diversify away from traditional asset classes.

3.7 Within its equity asset allocation the fund also further diversifies into active and passive equity. Within the passive equity allocation it further has allocations to both UK and overseas equity.

3.8 The Fund is diversified in other asset classes with separate UK and global allocations to property. Private equity has diversification over geography, vintage and investment stage (primary, secondary and co-investment).

4. SUITABILITY OF INVESTMENTS

4.1 Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those regulations at a level which covers only part of the cost of the benefits.

4.2 Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

4.3 The Funding Strategy Statement is another important policy which together with the ISS governs how the Fund approaches its responsibilities. The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. The FSS sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis

4.4 The FSS was last reviewed in 2021 and sets out the following objectives:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and

- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

4.5 In ensuring that the Fund's assets are suitable to meet the liabilities as they fall due the Fund also periodically reviews Fund maturity. This was last reviewed following the triennial valuation in December 2019.

4.6 Cash flows in the maturity analysis do not consider investment income which is available to fund the smaller cash out flows. Investment income was £10.3m in 2020/21. Therefore in the shorter term income from investments will cover net cash out flows.

4.7 Fund Maturity is important as when a Fund becomes cash flow neutral it then must rely on its assets to fund benefits. In this scenario the investment strategy must factor in reducing assets and mandates must be structured so that assets can be withdrawn to fund benefits as and when required. The Fund has two mandates where illiquidity is an issue.

4.8 The first is the global property mandate with Partners which is structured as a commitment for capital calls and must be adhered to. The second is the private equity allocation with HarbourVest. These two mandates amount to 10% of the total assets under management and therefore their illiquidity is not considered an issue in the medium term.

Types of Investment held

4.9 Investments of suitable liquidity will be acquired and held to generate income and capital growth. Diversification of the portfolio of assets is achieved through different types of investment which are spread geographically. The major kinds of investment held and their characteristics are set out in the following paragraphs:

4.10 **UK Equities** which provide an equitable share in the assets and profits of UK companies. Income is provided through share dividends which have historically, over the longer term, risen above inflation. Equities produce capital gains/losses as share prices reflect investors` expectations of the prospects of a specific company, sector or market.

4.11 **Global Equities** are similar to UK equities but with exposure to the currency of the market where the share is listed. The investment return will be enhanced or reduced by the local market currency movement against sterling (unless the currency risk is hedged).

4.12 **Bonds** (Fixed Interest) are debt instruments issued by Governments and other borrowers. Bonds provide a fixed rate of interest and are generally redeemed at par by the issuer at a known future date. The price reflects the fixed level of interest, the term to redemption and the overall return (the yield) demanded by investors. Bond prices tend to fluctuate less than the price of equities.

4.13 **Index-linked bonds** are debt instruments mainly issued by Governments. The interest and redemption value are directly linked to a reference price inflation measure.

4.14 **Property** is investment in land or buildings such as offices, retail or industrial units. The income return comes from the rent payable. Property values primarily reflect rent levels and investor sentiment.

4.15 **Hedge Funds** are pooled funds which use a variety of strategies and instruments including derivatives to target absolute returns in all market conditions.

4.16 **Diversified Growth Funds** (DGFs) are pooled funds that invest in a variety of investment classes, and use active asset allocation between investment classes as a driver for performance.

4.17 **Cash** is mainly deposited with institutions for short periods and attracts interest at market rates.

4.18 The table below gives a summary of the main features of the various available asset classes, including an estimate of the long term real (in excess of price inflation) returns considered to be reasonably available.

Investment	Inflation linking	Real returns (% pa)	Liquidity
UK Equities	Reasonable/good	6-8	Good
Global Equities	Reasonable	5-7	Good
Property	Reasonable/good	5-7	Poor
Bonds	Poor	1-3	Good
Index linked bonds	Good	-0.5-2	Good
Hedge Funds	Reasonable	3-5	Reasonable
DGFs	Reasonable	3-5	Good
Cash	Variable	0-1	Good

4.19 The estimated real returns shown in the table (based on information provided by the Investment Consultant) are indicative, and the volatility of the asset class returns could result in investment returns being above or below those shown in the table.

Balance Between Different Kinds of Investment

4.20 The allocation of assets between the various different available types for the medium to long term is determined by the Strategic Asset Allocation **(Appendix II)**, which has been set with advice from the Actuary and the Investment Consultant. The Strategic Asset Allocation reflects both the investment risk tolerances and funding level.

4.21 It is recognised that the Strategic Asset Allocation is possibly the most important factor affecting the long term investment objective. It will be reviewed periodically to maintain a reasonable expectation of achieving the investment objective, consistent with an appropriate level of diversification.

5. RISK

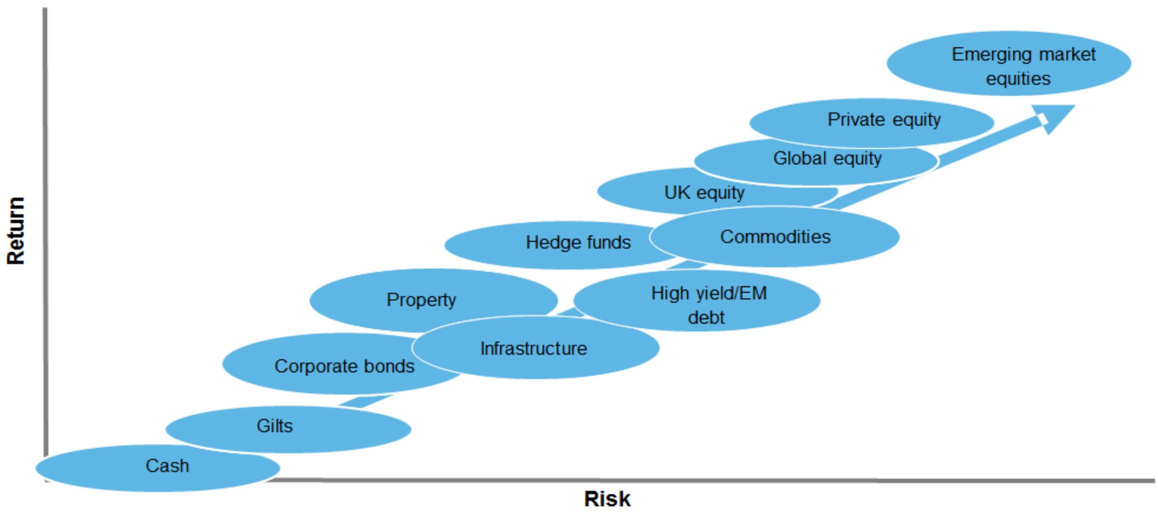
5.1 In order to ensure the long term solvency of the Pension Fund and ensure the Fund meets its objective to be 100% funded the Fund will hold risk seeking assets. However, the Fund also has diversified from pure equity risk and holds several other asset classes in order to ensure returns are uncorrelated.

5.2 The Fund is exposed to several investment risks. Some of these risks can be mitigated but the Fund should seek to be rewarded for taking on others.

5.3 The Fund currently takes the following risks which the Fund expects to be rewarded for within the overall investment strategy:

- Equity risk – Harris, Baillie Gifford, Barings, Legal & General, Standard Life and Ruffer
- Credit risk – Insight, Barings, Ruffer and Standard Life, and
- Illiquidity risk – CBRE, Partners Group and HarbourVest.

5.4 In itself, investment risk is not necessarily a bad thing, provided the Fund expects to be rewarded for taking it and can take a long term view in order to look through short and medium term downturns in investment markets. The expected risk return characteristics of different asset classes are highlighted in the following chart.



5.5 The chart shows the expected risk return characteristics of different asset classes in ordinal format. We note that in order to achieve higher expected returns we are typically required to take on additional investment risk (usually in terms of price volatility, credit risk or illiquidity).

5.6 However, there are benefits in terms of investing in a diversified asset portfolio, as different investment markets do not typically behave in the same way at the same time (except potentially in times of significant economic crises, where high quality government bonds can be the only major asset class to perform well).

5.7 The relationship between the price movements of different asset classes relative to each other over time is often referred to as correlation. The Fund needs to ensure that asset classes are not highly correlated as would expose it to undue risk in the event of a significant drop in asset values and would mean all asset classes fall affecting Fund value and the ultimate objective of Fund assets supporting 100% of the Fund’s liabilities.

5.8 There are also investment market, economic and demographic factors that also affect the value of the Fund's liabilities. How our assets and liabilities move in value relative to each other is also an important consideration.

5.9 There is no perfect matching asset for an LGPS fund's liabilities, although it is often stated that a long dated index-linked gilt comes closest (see also our previous comments on the construction of a liability proxy for modelling purposes). This is because an LGPS fund's liabilities are bond like in nature (essentially a series of benefit payment cash outflows) and that are also real in nature (i.e. increase in-line with inflation).

5.10 However, index-linked gilts are commonly held to be very expensive at present, and holding them in substantial quantities would inevitably increase the contributions to unaffordable levels and have a detrimental impact on the deficit (i.e. reduce the funding level).

5.11 The Funding Strategy Statement sets out the keys risk and groups these into Financial, demographic and regulatory and governance risks. These are included in **Appendix IV**.

5.12 The main risks taken into consideration to establish the Strategic Asset Allocation and set the investment objectives for the Fund are:

Solvency and mismatching risks

5.13 The expected change in the liabilities and funding level relative to the current investment policy, managed by assessing the progress of the actual change in liabilities relative to the current investment strategy.

Manager risk

5.14 The extent to which risk and returns deviate from those anticipated, managed by monitoring the outturn relative to the objective set. Manager risk has been reduced through the appointment of a number of different managers following different investment strategies.

Political and Currency Risks

5.15 The concentration of assets in a market leading to the risk of an adverse impact on investment values due to political intervention, managed by regular reviews of the levels of diversification of the actual investments relative to the policy position.

Liquidity risk

5.16 The level of cash flow needed to meet the regular commitments of the Fund, managed by assessing the level of cash held and monitoring the anticipated liquidity levels of the assets held in order to limit the impact of cash flow requirements on the investment policy.

Custodial risk

5.17 The continuing ability of the custodian to settle trades in a timely manner and provide secure custody of the assets, managed by regular review and reporting from the custodian compared with agreed service standards, and the continued monitoring of the custodians credit rating.

Risk Register

5.18 The other risks that are taken into account when assessing the total risk of the Fund are shown in a Risk Register, which is reviewed annually by Pension Committee and was last considered in September 2021.

6. POOLING AND SHARED SERVICES

6.1 This Fund is part of the London Collective Investment Vehicle (LCIV) which has been set up for London pension funds. This pool has the support of all 33 London Borough pension funds with **£11.2bn** of assets already under management with another £12.6bn under passive management.

6.2 The Fund formally agreed to join the London CIV as part of the Government's pooling agenda. The London CIV was constituted in late 2015 and has since opened a range of sub-funds covering liquid asset classes, with the bulk of less liquid asset classes to follow.

6.3 The London CIV is fully authorised by the Financial Conduct Authority (FCA) as an Alternative Investment Fund Manager (AIFM) with permission to operate a UK based Authorised Contractual Scheme fund.

6.4 The Board of Directors are responsible for decision making within the CIV. This includes decisions to appoint and remove investment managers. The share structure of London CIV provides for equal voting rights for each authority on a one share one vote basis.

6.5 As an AIFM the London CIV must comply with the Alternative Investment Manager Directive ("AIFMD") and falls under the regulatory scrutiny and the reporting regime of the FCA. This includes the requirement for robust systems and processes and for these to be documented appropriately in policies and manuals. Risk management is a particular focus for the FCA and the London CIV has developed a risk framework and risk register covering all areas of its operations, including fund management.

6.6 The Pensions Sectoral Joint Committee ("PSJC") has been established under the governing arrangements of London Councils. The PSJC effectively fulfils two roles, one is as a mechanism for convening elected Member representation from each borough (generally the borough's Pension Committee Chair), and the other is as the route to convening the Authorities as shareholders in the London CIV. This Committee will provide scrutiny and oversight of the CIV for the Authorities, with each Borough represented on the Committee with voting rights.

6.7 Each Fund in the London CIV has a nomination to the Pensions Sectoral Joint Committee and our Chair, Cllr Madlani, participates in these meetings. The Head of Treasury and Financial Transactions is also part of an officer group known as the Investment Advisory Committee.

6.8 Deloitte have been appointed to undertake external audit of both the company (London CIV) and the ACS Fund and will provide an annual governance statement which will be publicly available on the CIV website.

6.9 The formal structures that the London CIV has put in place, including FCA registration and the appointment of a Depositary (Northern Trust), help to provide additional scrutiny of the CIV in providing monitoring and regulatory oversight of the company and a range of services including:

- Safe custody of assets
- Oversight of key systems and processes
- Due-diligence review of the Operator (London CIV), and the Custodian, Fund Accountant, and Transfer Agent (Northern Trust)

6.10 The Shareholders Agreement has been signed by all 33 London Borough Pension Funds and sets out the terms and conditions of the joint venture and regulates the relationship with Funds and certain aspects of the affairs of and dealings with the Company.

6.11 The Minister has confirmed that the London CIV meets the investment reform and criteria published in November 2015.

6.12 The Fund has already transitioned assets into the London CIV with, (Baillie Gifford sub-fund) and will look to transition further liquid assets as and when there are suitable investment strategies available on the platform that meet the needs of the Fund.

6.13 The Fund holds 31% or £655m of its assets in life funds (Legal and General) and intends to retain these outside of the London CIV in accordance with government guidance on the retention of life funds outside pools for the time being. The Fund agrees for the London CIV to monitor the passive funds as part of the broader pool.

6.14 The Camden Fund was instrumental in constituting the Pensions Shared Service. This service deals with the administration functions of the Camden and Wandsworth pension funds including dealing with member requests, employers and administering benefits and pension payroll functions. The shared service has now expanded to include Merton, Richmond and Waltham Forest pension funds.

7. ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) POLICY

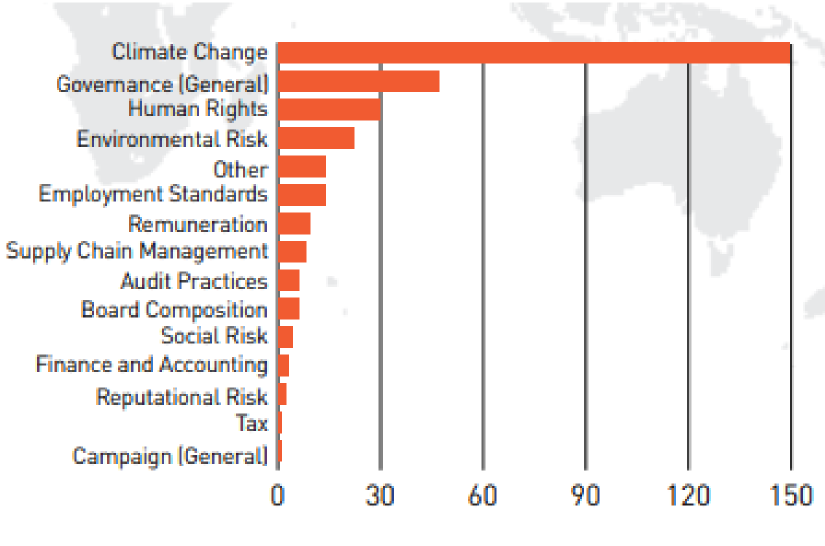
The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Investment Strategy Statement, the Fund should, in all circumstances, act in the best financial interests of the members of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to have active regard to the impact that SRI issues might have on the returns of companies in which they invest on the Fund's behalf.

The Fund believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards might be expected to produce shareholder returns that are at least comparable to those produced by other companies.

The Fund is a member of the Local Authority Pension Fund Forum (LAPFF). LAPFF was formed in 1990 and is a voluntary association of local authority pension funds based in the UK. It exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which its members invest. The Forum's members currently have combined assets of nearly £300 billion.

LAPFF has campaigned on a number of issues and the split of issues can be seen below. The graph is based on corporate engagement over the year to December 2020 via letters, conference calls, filed resolutions or meetings.

LAPFF ENGAGEMENT TOPICS



8. The 2020 LAPFF Annual Report, summarising activity and highlighting the organisation's achievements can be found via the following link: https://lapfforum.org/wp-content/uploads/2020/12/LAPFF_annual-report-2020_final2.pdf

8.1 Climate Change was the most frequent engagement area for the year for LAPFF, with engagement on Governance the next most common.

8.2 LAPFF has long campaigned for reform of the UK's system financial regulation and in particular the Financial Reporting Council (FRC) as the setter of standards and regulator for the accounting industry.

8.3 Governance-related engagements covered a wide range of topics, including board composition, executive pay, tax transparency, and climate change, plastics, reliable accounts, agribusiness, human rights, corruption, workforce issues, technology, micro-insurance, housebuilding and shareholder resolutions.

8.4 Those responsible for making investment decisions must comply with general legal principles governing the administration of scheme investments. They must also act in accordance with ordinary public law principles, in particular, the ordinary public law of reasonableness. They risk challenge if a decision they make is so unreasonable that no person acting reasonably could have made it.

8.5 The Fund is committed to being a long term steward of the assets in which it invests and expects this approach to protect and enhance the value of the Fund in the long term. In making investment decisions, the Fund seeks and receives proper advice from internal and external advisers with the requisite knowledge and skills. In addition the Pensions Committee undertakes training on a regular basis and this will include on training and information sessions on matters of social, environmental and corporate governance.

8.6 The Fund requires its investment managers to integrate all material financial factors, including corporate governance, environmental, social, and ethical considerations, into the decision-making process for all fund investments. It expects its managers to follow good practice and use their influence as major institutional investors and long-term stewards of capital to promote good practice in the investee companies and markets to which the Fund is exposed.

8.7 The Fund expects its external investment managers (and specifically the London Collective Investment Vehicle through which the Fund will increasingly invest) to undertake appropriate monitoring of current investments with regard to their policies and practices on all issues which could present a material financial risk to the long-term performance of the fund such as corporate governance and environmental factors.

8.8 Effective monitoring and identification of these issues can enable engagement with boards and management of investee companies to seek resolution of potential problems at an early stage. Where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed, the Fund expects its investment managers to participate in joint action with other institutional investors as permitted by relevant legal and regulatory codes.

8.9 The Fund monitors this activity on an ongoing basis with the aim of maximising its impact and effectiveness.

8.10 The Fund in preparing and reviewing its Investment Strategy Statement will consult with interested stakeholders including, but not limited to Fund employers, investment managers, Local Pension Board, advisers to the Fund and other appropriate relevant parties.

Voting Rights

The Fund believes in the role of proactive engagement as the most effective way of influencing companies in relation to social, environmental and business policies whilst at the same time achieving financial returns compatible with the Fund’s longer term financial objectives. The fund therefore places great importance on the exercise of voting rights attached to the Fund’s investments.

Camden has appointed PIRC to provide the services of Corporate Governance Advisor and proxy voting agent to the Fund. The aim of the advisors has been to research companies with which the Fund has voting rights, and to ensure that those voting rights are used in the most advantageous way. The Fund has agreed a bespoke voting policy and PIRC ensure that votes are cast in line with the Camden policy for all segregated company shares, as well as the proportion of shares held in pooled UK equity fund held by the Camden.

In the calendar year 2020, voting took place as follows:

Resolution Type

Vote	Occurrences	Proportion
For	8,076	69.66%
Against	3,431	29.59%
Withhold	11	0.09%
Abstain	0	0.00%
Non-Voting / Withdrawn	72	0.62%
US Frequency Vote on Pay	4	0.03%
Total	**11,594**	**100%**

The Camden Pension Fund voted shares at 803 separate company meetings during the year.

PENSION FUND RESPONSIBILITIES

This appendix sets out the key individuals, consultants, investment professionals and investment managers involved in the Fund.

Pension Committee

Members	Cllr Rishi Madlani (Chair)
	Cllr Heather Johnson (Vice Chair) Cllr Anna Burrage Cllr Jenny Mulholland Cllr Matthew Kirk Cllr James Slater Cllr Sylvia McNamara Cllr Shiva Tiwari
Substitute Members	Cllr Kemi Atolagbe Cllr Matt Cooper Cllr Nina De Ayala Parker Cllr Edmund Frondigoun Cllr Tom Simon

The following officers are based across Council offices at 5 Pancras Square and Dennis Geffen Annexe.

Executive Director Corporate Services	**Director of Finance**
Jon Rowney	Daniel Omisore
Head of Treasury & Financial Transactions	**Treasury & Pension Fund Manager**
Nigel Keogh	Priya Nair

Scheme Administrator
Martin Doyle
Pensions Shared Service
Wandsworth Council
Room 70
The Town Hall
Wandsworth High Street
London. SW18 2PU

Legal Advisor
Andrew Maughan, Borough Solicitor

Investment Managers

Baillie Gifford (CIV Sub-Fund)
70 Great Bridgewater Street,
Manchester,
M1 5ES

Baring Asset Management Ltd
155 Bishopsgate
London, EC2M 3XY

Harris Associates LP
111 South Wacker Drive, Suite 4600
Chicago, Illinois 60606

CBRE Global Investment Partners Ltd
Third Floor
One New Change
London, EC4M 9AF

Legal & General Investment Management
One Coleman Street,
London, EC2R 5AA

Partners Group (UK) Ltd
14th Floor, Heron Tower
110 Bishopsgate
London, EC2N 4AY

HarbourVest Partners (Europe) Ltd
33 Jermyn Street
London, SW1Y 6DN

CQS (UK) LLP
4th Floor
One Strand
London, WC2N 5HR

Stepstone
2 St James's Market
London, SW1Y 4AH

Performance Measurement

Custodian

J.P. Morgan Limited

25 Bank Street
Canary Wharf
London, E14 5JP

Pensions & Investment Research Consultants (PIRC) Ltd
2 Harbour Exchange Square
London, E1 8AZ

Investment Consultant

Andrew Singh
Isio Group Limited
10 Norwich Street

London EC4A 1BD

Independent Investment Advisor

Karen Shackleton
MJ Hudson Ltd
1 Frederick's Place
London
EC2R 8AE

Actuary

Mrk Picken
Hymans Robertson LLP
20 Waterloo Street,
Glasgow, G2 6DB

Corporate Governance Adviser

Pensions & Investment Research Consultants (PIRC) Ltd
2 Harbour Exchange Square
London, E1 8AZ

Auditors

Mazars
15 Canada Square
Canary Wharf
London, E14 5GL

AVC Providers

Phoenix Life Limited
PO Box 2570
St James House
27-43 Eastern Road
Romford, RM1 3YW

Prudential Assurance Company Limited

5 Laurence Pountney Hill,

London, EC4R 0HH

Bodies of which the Pension Fund is a Member or Subscriber

Club Vita
Local Authority Pension Fund Forum (LAPFF)
London Pension Fund Forum (LPFF)
London Collective Investment Vehicle (LCIV)

Pension Committee (PC)

The PC has delegated authority from the Council to make decisions for the Fund, acting with advice from the Actuary, Investment Consultant, Independent Advisor and the Executive Director of Corporate Services.

The investment powers of the Pension Committee are set out in regulations. The Committee has approved and adopted this ISS in relation to the investment of the Fund's assets, and the ISS is consistent with the investment policies established and implemented by the Committee for the Fund.

The Committee meets at least quarterly and comprises eight voting members, seven from the Labour Group and one from the Liberal Democrats Group. There is a quorum of two members to ensure meetings can function and there are eight substitute members.

There are four observer (non-voting) posts to the Committee representing trade unions and two representing retired members.

The responsibilities of the Committee are to:

<u>General</u>

- To act as Trustees of the Council's Pension Fund within the terms of the Superannuation Act 1972 and to administer all matters concerning the Council's pension investments in accordance with any applicable law and policy.
- To make arrangement for the appointment of and appoint suitably qualified investment managers and custodians and to periodically review those arrangements.
- To ensure that appropriate and sufficient training has been undertaken by all members of the Committee in order to discharge their functions.
- To take proper advice from officers, investment consultants, independent investment adviser, pension board and actuary

<u>Investment</u>

- Set and review Investment strategy for the Fund
- To formulate and publish a Statement of Investment Principles

- At least once every three months, to review the investments made by the investment managers and from time to time consider the desirability of continuing or terminating the appointment of the investment managers.
- To determine the strategic asset allocation policy, the mandates to be given to the investment managers, the performance measures to be set for them and review investment management performance against targets.
- To monitor the performance and effectiveness of the investment managers and their compliance with the Statement of Investment Principles.
- Ensure the Fund's voting rights are exercised in line with the Fund's voting policy to ensure the best outcome for the Fund's investment purposes and ensure engagement supports the investment strategy and Fund's performance, except co-filing requests put forward by the LAPFF; and support for resolutions in respect of companies that the Fund does not have a direct shareholding in, which remains a matter for the Executive Director Corporate Services in consultation with the Chair of the Pension Committee unless time allows for the matter to be reported to the Committee for decision.
- To receive and approve an Annual Report on the activities of the Fund prior to publication.
- To keep members of the Pension Fund informed of performance and developments relating to the Pension Fund on an annual basis.

Liabilities

- To review the risks inherent in the management of the Pension Fund
- To review the strength of admitted bodies and ability to honour their liabilities.
- To agree and keep under review a Contribution Strategy and agree the Triennial Valuation.
- Admit new and exit ceasing employers as and when these arise.
- To monitor liabilities and ensure progress towards full funded status of all employers.
- To understand the maturity of the Fund and keep cash flow considerations under review

The Committee operates under procedural rules as set out in the Camden Constitution, which can be accessed via the Council's website: https://www.camden.gov.uk/documents/20142/7661411/Constitution+of+LB+Camden.pdf/1df46c62-8de2-ccd7-d7bb-63d8071b9188?t=1602240903447

Investment Managers

Thirteen appointed investment managers have responsibility for managing passive index-tracking and active portfolios of equity, bonds, infrastructure, diversified growth funds, property investments and private equity funds.

The responsibilities of the investment managers are to:

- Invest the assets of the Fund in compliance with prevailing legislation, the policies set out in this SIP and their Investment Management Agreements.
- Submit quarterly reports on valuation, activity and investment performance.
- Attend meetings with the Director of Finance and/or Committee.
- Assist the Director of Finance in the preparation of the SIP.

Custodian

The investments of the Fund are held and recorded independently by a custodian bank, JP Morgan, responsible for safe custody of share certificates and other evidence of title.

The responsibilities of the custodian are to:

- Hold assets in compliance with prevailing market legislation.
- Provide periodic valuations and reports on activity and investments held in custody.
- Settle investment transactions in the market.
- Account for and collect dividends and income and make tax reclaims.
- Hold uninvested cash in a liquidity account.
- Process corporate actions and vote shares held to the Fund's order where appropriate.

Actuary

The responsibilities of the Actuary (Hymans Robertson) are to:

- Prepare the triennial valuation of the Fund.
- Provide advice to the Committee on the funding level to assist in formulating investment objectives and policies for the Fund.
- Provide intra valuation advice on the estimated funding level and pension costs.

Investment Consultant and Independent Investment Advisor

The responsibilities of the Investment Consultant (Aon Hewitt) and Independent Investment Advisor (Karen Shackleton) are to advise the Executive Director of Corporate Services and the Committee on:

- Investment strategy and the risks and anticipated returns associated with different investment strategies and asset classes.
- Assist with the selection, ongoing monitoring and review of investment managers and custodian.
- Advise the Director of Finance on the preparation of the SIP.

Executive Director Corporate Services

The Executive Director Corporate Services and officers reporting to him are responsible for:

- The execution of policy decisions and operational running of the Fund
- Administrative arrangements with investment managers, custodian and advisers
- Preparation of reports for the Committee
- Preparing the Fund annual report and accounts
- Regular interim briefing meetings with investment managers
- Ensuring that the ISS and other relevant Fund documentation is reviewed and updated periodically, and ensuring compliance by investment managers with the ISS and Investment Management Agreements

Pension Board

The Pension Board is defined by the Public Service Pensions Act 2013, will be responsible for:

Assisting the Administering Authority as Scheme Manager to:

- Secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
- Secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- Carry out such other matters as the LGPS regulations may specify

Securing the effective and efficient governance and administration of the LGPS for the Camden Pension Fund.

The role is one of providing oversight of assurance in and governance of the scheme administration and not decision making.

The Pension Board will ensure that the Pension Fund is managed and administered effectively and efficiently and complies with any code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

The first core function of the Board is to assist the Administering Authority in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme. Within the extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- Review regular compliance monitoring reports which shall include reports to and decisions made under the Regulations by the Committee.
- Assist with the development of and continually review such documentation as is required by the Regulations including Governance Compliance Statement, Funding Strategy Statement and Statement of Investment Principles.
- Review the implementation of revised policies and procedures following changes to the Scheme.
- Review the arrangements for the training of Board members and those elected members and officers with delegated responsibilities for the management and administration of the Scheme.
- Review the outcome of external audit reports.
- Review draft accounts and Fund annual report.

The second core function of the Board is to ensure the effective and efficient governance and administration of the Scheme. Within this extent of this core function the Board may determine the areas it wishes to consider including but not restricted to:

- Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority.
- Monitor investment costs including custodian and transaction costs.
- Review the risk register as it relates to the scheme manager function of the authority.
- Review the outcome of actuarial reporting and valuations.
- Monitor in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.

Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning.

Risk	Summary of Control Mechanisms
	Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).

Risk	Summary of Control Mechanisms
	For other employers, review of contributions is permitted in general between valuations (see Note (f)) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any DCLG intervention triggered by the Section 13 analysis (see section 5)	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers.

Risk	Summary of Control Mechanisms
	Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular intervals (see 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see 3.3).

APPENDIX E: COMPLIANCE STATEMENT

Camden's compliance with the six Principles of Investment Decision Making, as established by the CIPFA Pensions Panel, and required by the LGPS Regulations 2009.

Date Reviewed: August 2015

Principle 1: Effective decision making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources to make them effectively and monitor their implementation;
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

Fully Compliant

Camden Council operates a Pension Committee within a formal framework of financial controls and decision making; Consideration is given to strategic asset allocation and particularly during reviews of fund management arrangements.

Dedicated training sessions are scheduled twice annually for all members of the Committee.

Expert advice is received from external consultants including the investment consultant, independent investment advisor, fund actuary, and corporate governance advisor, as well as the individual investment managers.

A business plan is presented to every meeting of the Pension Committee, which includes training carried out by officers and Committee Members in the last 12 months, and future opportunities for training, which are offered to all the members of the Committee.

Principle 2: Clear objectives

An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers.

Fully Compliant

The Fund's investment objectives are set out in the Statement of Investment Principles. The benchmark and risk parameters are clearly stated in the Investment Management Agreements with each investment manager.

The same investment strategy is currently followed for all employers. The actuary has not advised the authority to operate different investment strategies for different employers.

The strength of the covenant for non-local authority employers is assessed by the Fund's Actuary (Hymans Robertson), and the results will be available in time for the next triennial valuation.

The Pension Committee considers a register of all non-local authority employers on an annual basis, to monitor their funding positions and scheme status.

Principle 3: Risk and liabilities

In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.

These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.

Fully Compliant

The asset allocation strategy is reviewed at least every 3 years. The Investment Consultant is periodically commissioned to carry out an asset liability study which models the risk/reward characteristics of different investment strategies.

The study follows the triennial actuarial valuation and the form and structure of the liabilities are fully taken into account.

The liabilities are reviewed by Hymans Robertson on an annual basis between full valuations.

Additional investigation is made into the Fund's longevity risk by being a member of Club Vita. This has been set up by Hymans Robertson to specifically measure the effect of longevity using the data which is scheme specific.

The cash flow and scheme membership of the Fund is reported to the Pension Committee on an annual basis.

Principle 4: Performance assessment

Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.

Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to the scheme members.

Fully Compliant

Performance measurement of the investments and investment managers are provided by the Performance Measurer, Custodian, Independent Investment Advisor and Investment Consultant.

The decisions reached by the Pension Committee are reviewed on both a quarterly and yearly basis.

The Investment Consultant and Independent Investment Advisor advise the Fund on any major developments or changes that may affect the performance of the investment managers.

The effectiveness of the investment decisions is measured by means of the adherence to the asset allocation and the expected improvement in performance of the investments.

The investment managers are asked to attend officer-led quarterly meetings outside the formal Committee meeting schedule and on an ad hoc basis when it is deemed necessary; Committee members are invited to attend. Managers are also seen regularly by the Independent Investment Advisor separately from these meetings.

Principle 5: Responsible ownership

Administering authorities should:

- adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.
- include a statement of their policy on responsible ownership in the statement of investment principles.
- report periodically to scheme members on the discharge of such responsibilities.

Fully Compliant

All of the equity managers have adopted the Institutional Shareholders' Committee Statement of Principles.

The Fund has agreed a bespoke voting policy which is reviewed and updated annually by the Pension Committee. The votes are cast on behalf of the Fund by PIRC in accordance with this policy. A summary of the fund's voting policy can be found via the following webpage: http://www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/pension-fund-investment.en

PIRC records the votes cast by the Fund, and issues a quarterly statistical report, which is incorporated into the quarterly Engagement Report received by the Committee. PIRC also present a report of activity annually to the Committee.

The Fund's policy on responsible ownership is set out in its Statement of Investment Principles.

The Fund is a participating member of the Local Authority Pension Fund Forum (LAPFF) and receives information on environmental, social and governance issues.

Principle 6: Transparency and reporting

Administering authorities should:

- act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives.

- Provide regular communication to scheme members in the form they consider most appropriate.

Fully Compliant

The Fund has produced a Statement of Investment Principles, a Governance Compliance Statement, a Communications Policy Statement and a Funding Strategy Statement which all form part of the Pension Fund Annual Report.

The Pension Fund Annual Report is posted on Camden's Pension Fund section of the Camden website.

Members can also request information directly from the Council. General queries are answered by telephone, with detailed questions regarding individual cases being received by letter, fax or email.

Consultation is carried out with non-local authority employers on all Fund business including the triennial valuation and Funding Strategy Statement. Furthermore, all agendas of the Committee meetings are circulated to admitted bodies, and employer representatives are encouraged to attend.

The Council has brought its website into line with best practice in other authorities in order to assist members of the Fund to get information they require with ease.

ANNEX 4: COMMUNICATIONS POLICY STATEMENT

Introduction

This Communications Policy Statement has been drawn up in compliance with the Local Government Pension Scheme Regulations to ensure that the Camden Pension Fund offers clear communication to stakeholders of the LGPS. Who we communicate with:

- Scheme Members (active, deferred, pensioner)
- Prospective Scheme Members
- Representatives of Scheme Members
- Employing Authorities

The Camden Pension Fund is fully committed to providing all groups with as much information as possible concerning the operation of the Local Government Pension Scheme and the way in which any changes to the Scheme will affect members' benefits.

SCHEME MEMBERS

The methods by which the Fund communicates with scheme members are as follows:

Newsletters
All active, deferred, and pensioner members receive an annual newsletter.

Scheme literature
A range of useful information, forms and links are currently available on the Pensions Shared Service website (https://pensionssharedservice.org.uk/) and on the national website: www.lgpsmember.org/

Annual Report
The Fund's Annual Report can be viewed on the Camden website.

Annual Benefit Statements
Annual Benefit Statements are posted to the home addresses of the Fund's active and deferred members in August.

Website
Camden's Pension Investments and Governance section of the Camden website is updated to include new information and currently includes:

- Governance Compliance Statement
- Investment Strategy Statement
- Funding Strategy Statement
- Annual Fund report
- Communications Policy Statement
- Statement of Account

Pay advice slips/P60s
Pay advice slips are sent to pensioner members' home addresses each March, April and May. P60s are also sent out in May. A short communication can be included on the pay advice notice. If a member has a change of more than £1 in their monthly net pension payment, a pay advice slip will be sent to them in that month.

PROSPECTIVE SCHEME MEMBERS

All employees are automatically enrolled into the scheme but can elect to opt out. Information about the Local Government Pension Scheme (LGPS) is sent out with all job offers. Prospective scheme members are directed to additional information available on the national LGPS website www.lgpsmember.org

REPRESENTATIVES OF SCHEME MEMBERS

Scheme members' interests in the Fund are represented by the Pensions Committee which acts in a trustee capacity. The Committee currently comprises eight voting members who are Camden Councillors. The Committee meets at least four times a year with special meetings and workshops arranged as necessary.

Member representatives from the trades unions attend the Committee meetings as non-voting members. Their role is to represent the interests of their respective stakeholder bodies and to communicate with them on pension fund issues. The Camden website has a section on Committees and Governance.

The Pension Board operates independently of the Pension Committee and exists both to assist the Council in securing compliance with LGPS regulations, relevant legislation and requirements imposed by the Pensions Regulator and to secure the effective and efficient governance and administration of the LGPS for the Pension Fund.

EMPLOYING AUTHORITIES

Each employer receives a guide setting out their administrative responsibilities in relation to their employees who are members of the LGPS. Employer information is also available online at https://pensionssharedservice.org.uk/employers/

Employers Conference
A conference for employers is held once draft triennial valuation results are published. The conference provides a platform for employers to put questions directly to the actuaries in relation to their own results.

Accessibility
We recognise that individuals may have specific needs in relation to the format of our information or the language in which it is provided. Demand for alternative formats/languages is not high enough to allow us to prepare alternative format/language material automatically. However, we will provide the communication in large print, Braille, or in another language on request.

ANNEX 5 – RISK REGISTER

	Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
1.	**FINANCIAL RISKS**										
	1. **Fund assets fail to deliver** returns (in-line with the anticipated returns underpinning valuation of liabilities over the long-term)	• Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing • Analyse progress at triennial valuations and review Fund's Investment Strategy and Funding Strategy accordingly • Regularly benchmark assets to re-valued liabilities • The Fund has reviewed a number of key mandates including Diversified Growth Funds (July 2019) and Fixed Income mandates (February 2019) and changed a number of managers which should improve performance • The Fund has conducted a full asset liability Investment Strategy review and received this in July 2020 modelling how liabilities and asset classes impact on funding and Value at Risk.	3	4	12	• Investment Strategy Review post triennial valuation in July 2023 to review asset allocation • The recent strength of the funding ratio at 113% at the last valuation (September 2022) has reduced the impact this time. Indications are the funding ratio has strengthened further since the last formal valuation.	3	3	9	Annually/ Quarterly	Pension Committee (PC)

		• Investment Strategy Review July 2020 of equity and non-equity portfolio reducing equity manager risk and equity risk and examining new asset classes that link to inflation • Review of asset allocation with rebalancing plan after IDeA Substitution of funds and Barings redemption – July 2021 • After the substitution of funds on behalf of IDeA and the trimming of Harris by £171m following the July 2021 rebalancing reports equity has now reduced from 65% to 53% significantly reducing risk. • New Baillie Gifford DGF (diversified growth fund) entered in to (£95m) • Entered into inflation plus fund (£95m) • Added to index linked bonds (£57m)									
	3. **Inappropriate long-term investment strategy**	• Fund-specific benchmark, informed by Asset-Liability modelling • Compliance with LGPS regulations including consultation and production of the Investment Strategy Statement • The Investment strategy is reviewed at least every three years by Committee, with more than one potential strategy considered. This	3	5	15	Investment Strategy Review to take place in July 2023	3	5	15	Quarterly	PC

		was last reviewed in July 2020 and then again in July 2021 following some major events and included a full asset liability modelling study post 2019 valuation. • The addition of the independent investment advisor gives the Fund better market insight and will shape the strategy with greater frequency via performance reports and market intelligence • Review of Fund Benchmarks and Targets (September 2015) • Member training on Liability Driven Investment linking investment strategy to maturity and liquidity considerations and growth assumptions in the triennial valuation • Liaison with Fund Actuary to ensure consistency between investment and funding strategies									
	5**. Pay and price inflation** risk	• The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases • investment in index-linked bonds has been increased to 4.7% to help mitigate this risk. The July 2021 rebalancing report identified that investment in gilts was	3	4	12	• Future pay and price inflation assumptions considered as part of 2022 triennial valuation process • Impact of RPI reform considered as part of	3	4	**12**	Quarterly	PC

		only 2.3% and made recommendations to add £57m to this mandate to increase inflation protection. The addition of Infrastructure and the Aviva Long lease property fund (now called the Real Estate Long Income fund) will also help to counteract inflationary pressures (February 2019). • Employers pay for their own salary awards and are reminded of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees • The performance report covers movements in inflation. Recently the inflationary Pension Increase for the LGPS was agreed at 0.5% from April 2021 . The Bank of England expects inflation to remain around 2% in the medium to long term. The cash flow report also shows the impact of inflation on pension payments • The July 19 committee considered a report on salary growth and triennial valuation assumptions. An updated analysis on these assumptions will be considered as part of the				2022 triennial valuation process • Fund Actuary modelling as part of 2022 valuation allowed for high short term CPI when setting appropriate long term contribution rates (especially for the Council). • The annual report on Fund cash flows will enable officers and Members to review inflationary pressures and the Fund's ability to manage them • Pay inflation assumption does not have too significant an impact on actuarial valuations results as it only affects some liabilities not all i.e. it only relates to current active members and only to their service built up prior to 1 April 2014.					

		upcoming 2022 valuation process. • Monitor pay rises for all employers • Changes to employer rates between valuations could be implemented if necessary • Consider hedging strategies and put in place a flight path • Impact of past pay rises has been identified for all employer's deficits as part of the triennial valuation and will be identified again as part of the upcoming 2022 triennial valuation process • There is a potential impact of RPI reform on future assumed long-term inflation expectations (RPI is expected to align with CPIH from 2030 onwards). This impact will be considered as part of the 2022 triennial valuation process.									
	2. **Unacceptable level of investment risk** (in asset allocation, use of financial instruments and leverage)	• Agree and establish appropriate level of risk in a diversified strategy with the Investment Consultant • Ensure full understanding of nature of risk in each asset class • The Investment strategy is reviewed at least every three years by Committee (July 2020 and July 2021). The next review is scheduled for	3	3	9	• At the 2022 valuation, the Fund Actuary considered the magnitude of potential downside risk from the investment strategy, market movements, future inflation levels etc	3	3	9	Annually	PC

		July 2023 after the triennial valuation. This review includes consideration of 'Value at Risk' (VaR) and the factors contributing towards the VaR for a given strategy. • The Investment strategy is also reconsidered alongside the funding strategy at each actuarial valuation, to measure the risk of different strategies • The Independent Advisor completes due diligence on all current investment mandates • Officers and the Independent Advisor hold in-depth quarterly investment manager meetings with all managers to review risks, leverage and instruments used and report any concerns to Committee • Private equity mandate appointed to and new Infrastructure mandate funded. This has reduced concentration risk • Last Member training in June 2022 conducted by the Investment Consultant on nature of investments									
	7. **Market failure risk** (e.g. in the Eurozone)	• Limit concentration of investment in any one specific market. The 2020 investment strategy review	3	3	9	• Implicitly assessed within Fund Actuary's modelling work as part of 2022 valuation	3	2	6	Ongoing	PC / Head of Treasury

		and July 2021 rebalancing reports looked at the allocation to equity and considered options to reduce reliance on these volatile assets • Monitor markets constantly, and seek advice of managers, consultants and independent advisor (markets are also perceived as over-valued in the US and there is a threat of Emerging markets being dislocated by tapering in the US and growth concerns) • Funding of private equity mandate further reducing concentration on UK passive equity as capital calls dilute exposure over time • Diversification of UK passive holding into global passive holding – which occurred February to July with all UK assets transferring to the L&G Future World fund • Fund manager controls on risk – e.g. exposure to Russian market. Officers and the Independent adviser to maintain a dialogue with Investment managers and assess the impact									

	6. **Investment vehicle is not understood**	• Investment Consultant and Independent Advisor feed into decisions on new asset classes • Member training (especially for the newer asset class of private equity and infrastructure) • Appropriate due diligence carried out during searches by Investment Consultant and lawyers • The Fund has exited its hedge fund exposures • Pension Committee receives a quarterly briefing on progression of the London CIV • We use Hyman's online training platform for Pension Committee, Local Pension Board Members and Officers to improve pension fund knowledge and skills	2	3	6		2	3	6	Ongoing	PC / Head of Treasury
	13. **Employer contribution rate increases** (effect on service delivery including admitted /scheduled bodies)	• Stability mechanism for Council contribution rate, limiting increases from one year to the next. Based on Fund Actuary's modelling and in place for several valuations now • Seek feedback from employers on scope to absorb short-term contribution rises • Mitigate impact through measurement of added risk	3	2	6	• 2022 valuation modelling work on the Council contribution rate considered different contribution patterns and tested these to ensure a suitable degree of prudence by Pension Fund • Funding Strategy Statement agreed in July 2021 allows for deferred debt agreements, exit	3	1	3	Annually by PSC / Ongoing by officers	PC / Head of Treasury

		to the Fund of permitting reduced contributions and possible phasing in of contribution rises • Consult employers on possibility of paying more (extra administration and higher regular contributions) to enable employer-specific investment strategies to give greater certainty of cost • Employer register considered annually by Pension Committee • Continued dialogue between officers, actuary and employers to determine risk • All employers to be visited in the next triennial valuation cycle • 2022 triennial valuation approach allows measurement of risks/probabilities associated with different contribution levels per employer. • See also item 30				credit policy and review of contributions between triennial contributions • The departure of IDeA means employer risk is significantly reduced as they had made up a large proportion of the liabilities excluding the Council					
	12. **Investment manager under-performance** (relative to target)	• Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. • The Committee has demonstrated that it can identify poor performance and tackle this with the	3	2	6	• The Committee has had Harris' performance under close scrutiny and is actively discussing CIV alternatives with participation in the CIV Seed Investor Group • The Fund has rebalanced its overweight position to	3	2	6	Quarterly	PC

		phased withdrawal from Fidelity and disinvestment from Aberdeen (PSC Sep 14) and more recently the exit from Brevan Howard and Insight. The Committee has also considered the performance of DGF managers and fixed income within the Fund during 2019. Concerns have recently been tracked closely with Harris and CQS and these funds are now performing more in line with expectations. The Fund is currently tracking the Baillie Gifford Global alpha and Diversified Growth Funds closely due to poor performance. • Any changes to investment process, philosophy, portfolio team are reported to Pension Committee • Appointment of Independent Advisor to strengthen scrutiny in this area, and due diligence conducted by her on all managers. • Consideration of equity managers as part of the Investment Strategy review. • Report considered on appropriateness of targets taken in September 2015				equity (65% to 50%) which has reduced this risk • The Fund has also monitored its absolute return bond manager (Insight) closely and taken a decision to replace them with the CIV's multi asset credit fund. Subsequently both the CIV and the Fund have had the Multi Asset Credit sub fund (CQS) under review and this culminated in the decision to invest in the Blended product earlier in 2022.					

		• Investment Manager meetings are held regularly, open to Members as well as officers and significant actions are considered at Pension Committee									
	9. **Actuarial Risk** (miscalculation of liabilities or inappropriate assumptions)	• The Fund maintains close contact with its actuary • Advice is delivered via formal meetings involving elected members, and recorded properly • Advice is subject to professional requirements such as peer review • Technical Actuarial Standards in place, which in effect impose best practice requirements on actuarial advice • The Fund now has two experienced actuaries with Camden-specific knowledge (Douglas Green and Barry Dodds) advising its officers and Committee • Pension Committee receives reports on the review of two key assumptions in the Triennial Valuation on Salary growth and investment return expectations (July 2019). A more comprehensive approach will be used as part of the upcoming 2022 triennial valuation.	1	5	5	• The committee has reviewed the funding position in detail as part of the 2022 triennial valuation NB this will vary materially from one employer to the next • Assumptions made about the future (financial and demographic) were reassessed as part of the upcoming 2022 triennial valuation	1	5	5	Ongoing	PC / Officers

		• Fund actuary is accredited under the Institute and Faculty of Actuaries (IFoA) Quality Assurance Scheme, which requires external assessment and annual submissions to IfoA									
	51. **Sub-funds of London CIV fail to perform**	• The London CIV is well resourced and has skilled and experienced staff who can exercise appropriate due diligence • Pension Committee reviews investments with the CIV and progress at the CIV quarterly • As the Fund moves more into CIV sub-funds this will become a bigger issue. The Fund should ensure that	2	2	4	• The CIV has evolved into a more stable pool with appointment of key officers filled • The CIV has worked through a live case study with a manager who was under review (CQS) and demonstrated how they can work towards a blended offer with a complimentary manager	2	2	4		

		there is appropriate monitoring rigour at the CIV • The CIV have three funds under enhanced monitoring and two of these are used by this Fund (BG Global Alpha equity and their Diversified Growth Fund)				• the CIV now holds quarterly meetings with independent advisers to provide an update on any performance issues in the underlying sub funds					
	10. **Geographical/ Currency risk** in investments	• Limit concentration of investment in any one specific market through manager agreements • Regular review of compliance with manager agreements • Monitor markets constantly, and seek advice of managers, consultants and independent advisor • The Fund considered the use of a strategic currency hedge to limit risk, agreeing to delegate to individual managers (March 15) • Diversification of UK passive holding into Global passive holding (Sept and Nov 15)	2	2	4		2	2	4	Ongoing	PC / Head of Treasury
	15. **Excessive fees paid** to investment managers	• Manager fees keenly negotiated at time of appointment to achieve best result for the Fund • All Fund fees and expenses are reviewed regularly by officers • Participation in London CIV to achieve economies of scale and ensure optimal fee	2	2	4	• Ensure Fund Managers sign up to the Scheme Advisory Board's Code of Transparency. Baillie Gifford have already done so. • Move to passive mandates where outperformance on active	2	2	4	Ongoing	PC / Officers

		structures. The CIV have recently introduced Assessment of Value methodology • Regularly benchmark fees (CEM) • The Fund has exited Hedge Fund investments which have higher fees. It has also recently invested in CQS, a fixed income manager, in the CIV with lower fee structures.				portfolio does not justify higher fees charged.						
	16. **Asset manager** or bank **failure**	• Detailed due diligence is carried out when new manager or custodian is appointed (financially and legally) • In future this due diligence will be the responsibility of the London CIV with a wider resource base • Financial stability of managers and custodian monitored by officers and Independent Advisor • Investment Consultant has coverage of all investment managers • Assets under management with all managers are monitored as dramatic falls are likely to place pressure on manager business models (PC Mar 16)	1	4	4		1	4	4	Ongoing	Officers	

	53. **Fossil Fuel linked investments suffer losses** due to stranded assets and reputational damage.	• Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports • The Government's legislation to reduce carbon to net zero emissions has increased the pace of change • The Fund has reduced its proportion of the Fund invested in fossil fuels over 7 years from 7.2% of the Fund in 2012 to 2.3% (March 2023). • Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested • ESG seminar for Members of the Committee (May 19) • participation with LAPFF to engage with fossil fuel companies and boards and continue work in this area including 'aiming for A', strategic resilience resolutions, and managed decline of fossil fuel extraction • continued engagement with Fund managers to ensure climate change and stranded asset issues are	3	2	6	• The 2022 actuarial valuation assessment included analysis of the potential impact on Fund's assets and liabilities in different climate change scenarios • Committee and officers to be aware of 'greenwashing' which is becoming more and more commonplace and seeks to use disinformation by Investment managers in order to present an environmentally responsible public image.	3	2	6	Ongoing	PC/ Head of Treasury

		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 • The Fund conducts a carbon footprint to better understand its exposure to fossil fuels and will look to enhance this in future. • The Fund has developed an Investor Belief Statement in November 2019 • The Fund takes climate change seriously and uses all available opportunities to enhance its policy and practice in this area. Last year the Chair and Head of Treasury and Financial Services attended an industry wide roundtable with the DWP Minister to discuss progress. • The Fund monitors progress of companies within the portfolio to the • Task Force on Climate-related Financial Disclosures (TCFD) • The Fund has invested in an infrastructure manager with a minimum of 25% renewable energy investments (this was increased from 20% after									

		discussions with London Pension Funds) • The Fund commissioned and received a report on climate change modelling from its actuary, in November 2019. An update to this modelling will be provided as part of the upcoming 2022 triennial valuation • Investment in Legal and General Future World Fund which has a lower carbon footprint • Agreement to move funds in the Baillie Gifford Fund to a variant which is Paris aligned and has a 43% lower carbon intensity than the current fund. • The vice chair of this Committee is now on the LAPFF executive									
	8. **Forced selling of assets** in falling market due to cash flow requirements	• Monitoring of cash flows and Fund maturity, and taking appropriate strategic action (as above) • Dividends can be used to fund benefit payments. • Additionally redeemable structures with most managers mean assets can be sold or units redeemed to fund benefits. • July 2020 Investment Strategy review used an Asset Liability modelling	1	3	3	• Reviewed Fund's requirements in view of requirement to sell £190m to fund the IDeA substitution of Funds in the July 2021 committee. This was part of an exercise to consider a rebalancing of Fund assets at the same time.	1	2	2	Ongoing	PC / Officers

		approach which will ensure assets are appropriate for liabilities (and hence cash flow)									
	17. **Investment manager style drift**	• Managers are monitored closely by officers and advisors, with quarterly investment reports and regular review meetings held and minuted • Reasoning behind any proposed changes to investment approach are explained by the investment manager • Committee has Investment Manager summaries which set out mandate key principles and provide triggers for review • Minutes from recent Investment Manager meetings considered at next Pension Committee meeting • The Fund has demonstrated how it reviews managers periodically removing Aberdeen's mandate. The Fund has now also terminated Insight's bond mandate.	3	1	3		3	1	3	Ongoing	Officers / Advisers
	18. Fraud risk	• All investment managers required to submit audits on internal controls and summarised as part of the annual report to members	1	3	3	• Explore cyber-security risks with fund managers and the Pension Shared Service to ensure good safekeeping employer and systems are robust	2	3	6	Ongoing	PC / Head of Treasury

		• Detailed due diligence is carried out when new managers are appointed (financially and legally) • Audit of the fund is carried out by competent auditors • Internal audit is carried out by competent auditors to review benefit fraud and operational risks • Custodian has strong internal controls including reconciliation of asset values and performance • Managers able to give complete look through into underlying assets • Assets held in segregated accounts where possible • Investment Consultant has coverage of all investment managers				and protected from hacking especially those with a more quantitative nature.					
	19. **Custodian Risk** - creditworthiness, ability to settle trades, provide secure safekeeping and accurate and timely reporting	• Service Level Agreement in contract • Review of custodian Key Performance Indicators • Regular officer meetings with custodian • Future report to Pension Committee by custodian • Future consideration of CIV Depositary and role	1	3	3	• Assets managed directly by our custodian have reduced over the years (only with Harris and CBRE) with most other funds being pooled funds	1	3	3	Ongoing	Officers
	14. **Investment counterparty risk** (related to stock	• Practice of stock lending and use of derivatives monitored by officers and Independent Advisor	1	2	2		1	2	2	Ongoing	PC / Officers

	lending and use of derivatives)	• Investment Consultant has coverage of all investment managers • Regular review of managers' due diligence processes at officer meetings									
	11. **Illiquidity of assets** - benefits cannot be paid and strategy changes become difficult	• Periodic review of Fund assets with Investment Consultant, and officer due diligence on markets reviewed as part of the Investment Strategy review (July 2020) • Maturity of Fund kept under review by Committee. (PC – March 2020). These considerations were also part of the Investment Strategy review in July 2020.	1	2	2	• Cashflow maturity of whole Fund to be reassessed by the Fund Actuary, in light of the 2022 actuarial valuation results	1	2	2	Ongoing	PC / Head of Treasury
	20. **Environmental, Social & Governance issues** not addressed (and leading to loss on investments)	• Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports • Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested • Our Investment Consultant understands the importance of Responsible Investment in order to support Pension Committee in this work. This has been further embedded in the subsequent	1	2	2		1	2	2	Ongoing	PC / Officers

		Investment Strategy Reviews (July 2020, 2021 and 2023) • SRI conference arranged for Members of the Committee (Dec 15) and ESG seminar (May 19) • Investor Belief Statement agreed (November 2019) and revisited in October 2022 • Officers, committee members and independent adviser proactively challenge managers on ESG issues at the quarterly fund manager meetings. • Signatories of the Stewardship Code									
2.	**DEMOGRAPHIC RISKS**										
	21. **Deteriorating active membership** (due to employer savings programmes)	• Monitoring scheme membership, and the effect on cash flows and Fund maturity, and taking appropriate strategic action**.** Administration reports received annually by Committee (July 2020) • Impact identified by Hymans Robertson modelling as part of triennial 2019 valuation • Past service adjustments (secondary contributions) paid as	2	3	6	• Further scenario testing through modelling of staff data • Impact identified by Hymans Robertson modelling as part of upcoming triennial valuation in 2022 • Impact measure reduced from 4 to 3 on actuary's advice: from a funding perspective, combination of accrued assets plus setting of Primary rates at 2022 valuation mean that any reductions in active	2	3	6	Quarterly	PC / Officers

		cash amounts instead of a percentage on employer rate (which would decline with declining membership)				membership would only have a gradual effect and would be picked up at future actuarial valuations						
	23. **Longevity risk** (pensioners living longer)	• The Fund actuary sets base mortality based on research carried out by Club Vita. The longevity assumptions are a bespoke set of 'VitaCurves' specifically tailored to fit the membership profile of the Fund and this has been reported as part of the triennial valuation (March 2020) • Fund actuary sets mortality assumptions with some allowance for future increases in life expectancy • Fund actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding • 2019 valuation included assessment of the impact of mortality experience since 2016 amongst the Fund's membership • Administering Authority encourages any employers	2	5	10	• Continue dialogue with employers • Pension Committee to receive a report on mortality triennially • Training for members by Club Vita (July 2020) on longevity issues • Fund actuary used latest Club Vita analysis during 2022 triennial valuation to determine appropriate longevity assumptions, including allowance for any emerging data on the long-term health impact of Covid-19 • Headline proposals included as part of actuarial valuation assumptions paper, re allowance for Covid-19 etc	2	5	10	Triennial	PC

		concerned at costs to promote later retirement culture. Each 1 year rise in the average age at retirement would save roughly 5% of pension costs										
	24. **Substantial early retirements**	• Employers are charged the extra capital cost (strain cost) of non-ill-health retirements following each individual decision. The cash flow report shows that Strain costs have reduced over recent years. • Strain cost factors were revisited following the 2019 valuation to ensure appropriate	3	1	3	• Strain cost factors to be revisited after each triennial valuation	3	1	3	Annually	PC
	22.**Substantial Ill-health retirements**	• Monitoring of each employer's ill-health experience on an ongoing basis. The employer may be charged additional contributions if this exceeds the ill-health assumptions built-in. • Employers informed of ill health insurance option at Employer Forums •	1	2	2	• The employer register will monitor this data and variances can be discussed with employers • Individual employers can take out ill-health insurance to cover for strain costs.	1	2	2	Annually	PC
3.	**REGULATORY RISKS**											
	26. **Changes to regulations and legislation**, (e.g. more favourable benefits package, potential new	• Changes due imminently as a result of the McCloud and Goodwin cases: LGPS benefits to be improved (and backdated to 2014), with	2	5	10	• An allowance for the impact of the McCloud case will be made at the 2022 triennial valuation. The impact of the Goodwin case is	2	5	10	Ongoing	PC

	entrants to scheme, part-time employees)	associated administrative and funding issues				expected to be minimal. This was also allowed for by the Fund Actuary at the 2022 triennial valuation.						
	25. **National pension scheme changes** (e.g. benefits, regulation from The Pensions Regulator, and/or HM Revenue & Customs rules)	• The Fund is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself • Any changes to the regulations, scheme design and benefits package should be reported to Pension Committee • Scheme changes and benefits are communicated to members • Opt outs are monitored as part of the Cash Flow & Administration report • The result of the most recent reforms (2014 scheme) are built into each triennial valuation Published new Investment Strategy Statement from 1 April and new regulation issued New 2018 and 2020 regulations permit exiting employers to recover surpluses built up with the fund (previously known as trapped surpluses) and the Fund now has an Exit credit policy (July 2021)	3	2	6	• The most recent national Cost Management results are not yet available and are undergoing legal challenge at the time of writing. The Fund will analyse these when available.	3	2	6	Ongoing	PC / Pensions Manager

4.	**GOVERNANCE RISKS**										
	50. Pool implementation – **strategy deferral**	• Delay in implementing strategy due to inception of pools, on-boarding asset classes and availability of sub-funds. This Fund has demonstrated that this is not an obstacle with the award of the Private Equity mandate and removal of Aberdeen. We also conducted an Investment Strategy Review in 2021. • Continued advice from Investment Consultant and Independent investment advisor • continued Membership (through the Sectoral Joint Committee), Shareholders' Committee (our Chair also chairs this forum) and officer engagement with London CIV to ensure they adhere to implementation schedule • Investment strategy review in 2020	3	4	12	• The CIV are looking at how they might offer a property fund but legacy assets may not be transferable.	2	4	8	Quarterly	Chair/ Officers
	27. **Forced merger** of LGPS funds	• Participation in DLUHC consultations • On-going debate with advice from Pensions experts on a national basis	2	5	10	• Ensure that Camden participate in any future consultation and raise concerns to the appropriate authority • All 8 pools have been approved and officers	2	5	10	TBC	PC / Officers

						nationwide are working towards inception • Phase III of the Good Governance project will see the SAB consider how statutory guidance can be used to put the LGPS governance framework in place, and what KPIs can be used to measure governance effectiveness. • The Fund continues to allocate to CIV funds where the investment objective can be met – i.e. the CIV inflation plus fund - £95m and the Baillie Gifford DGF £95m also.					
	34. Maintaining **adequate level of experience** at officer level	• Continued staff appraisal and development plan • Effective personnel management and succession planning • Independent investment advisor has run training sessions for staff new to the Pension Fund area	2	4	8	• Ensure officers continue to undergo relevant training • utilise membership of the Hymans LGPS Online Learning Academy	2	4	8	Ongoing	Officers
	52. Risk of **high transition costs** of assets in pool	• Discussion about Transition management with the London CIV	3	2	6	• For the Multi Asset Credit mandate these transition costs were mitigated by having a phased investment profile.	3	2	6		

	38. Undetected **structural changes in an employer's membership** (e.g. large fall in employee members, large number of retirements).	• The Actuary may be instructed to consider revising the Rates and Adjustments certificate to increase an employer's contributions (under Regulation 78) between triennial valuations • Deficit contributions are expressed as monetary amounts	3	2	6	• Considered by Actuary at triennial valuation and also as a result of officer liaison with employers •	3	2	6	Ongoing	Officers
	28. **Knowledge and Understanding** deficiency (Members and officers)	• Ensure training opportunities are shared, attended and reported on (part of the quarterly Business Plan) • introductory training for all new members to PC to attend – delivered in June 2022 post municipal elections • Set up semi-annual member training for all Pension Committee • Ensure officers go on relevant training • Make sure independent is involved in training requirements	2	3	6	• Complete CIPFA Knowledge & Skills framework for Members and officers, to assess any knowledge gaps • Under MiFID II Investment managers could take away our opted up status if new members are not adequately trained. A structured programme of training has been put in place for new members and the semi-annual training for members will continue. • Introduction of Hymans Robertson LGPS Online Learning Academy facility	2	3	6	Ongoing	PC / Head of Treasury
	30. **Employer risk** (bankruptcy)	• Seeking a funding guarantee from another scheme employer, or external body, where ever possible • Work done as part of the 2019 valuation results in alerting the prospective	3	2	6	• Additional forward looking measures put in place in employer register received each November • Seek potential security from employers where restrictions on	3	1	3	Annually	PC

		employer to its obligations and encouraging it to take independent actuarial advice • Vetting prospective employers before admission • requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer fails • regular bond reviews • Annual review of the employer register (March 2020) • Dialogue with (potential) employers during the tender process and subsequently to ensure risks are understood and managed, such as at Employers Forum and meetings with employers to ensure they understand their obligations , liabilities and funding position • Engage with employers during the triennial valuation (Employer Forum run in October 2019)				contribution affordability and/or higher perceived business risk • (see also item 13) • Make use of deferred debt agreements agreed as part of the revised Funding Strategy Statement and Exit Credit Policy (July 2021) • monitor employer contribution receipts on a more detailed monthly basis to help flag such cases					
	32. **Actuarial or investment advice** is not sought, or is not heeded, or proves to be deficient in some way	• The Administering Authority maintains close contact with its advisers and takes decisions in public – Part II agenda items are kept to an absolute minimum • Advice is delivered via formal meetings involving elected members, and recorded properly	1	5	5		1	5	5	Ongoing	PC / Officers

		• Advice is subject to professional requirements such as peer review • Members and officers with suitable skills, knowledge and understanding to discharge their roles									
	29. **Forced disinvestment** (from active managers and Fund of Fund vehicles)	• DLUHC is not currently considering this possibility • On-going debate with advice from Pensions experts on a national basis.	2	2	4	• Participate in consultations and raise concerns to the appropriate authority	2	2	4	TBC	PC / Officers
	31. **Reputational risk** from unaddressed **ESG** (Environmental, Social & Governance) issues	• Membership of LAPFF providing active corporate engagement and championing of ESG issues • Corporate Governance advisor, PIRC, provides company research and ensures Camden voting policy executed on shareholdings is best in class • Members and officers aware of fiduciary responsibilities, acting in the long-term interest of the Fund and taxpayers • become a signatory to the Stewardship code – awarded tier one status	2	2	4	• engage with Divest Camden and other interested parties on the transition to the low carbon economy • The independent advisor led training on the spectrum of capital in preparation for an item at Committee on agreeing an Investor belief statement (November 2019)	2	2	4	Ongoing	PC / Officers
	33. **Employer cessation** not identified (due to	• Employer Register is maintained and reviewed annually by Committee (each November)	2	2	4	• Continued dialogue with employers to ensure risks are understood and managed especially in	2	2	4	Ongoing	PC / Pensions Manager

	closing to new entrants)					2022 as part of the valuation and individual employer results • monitor employer contribution receipts on a more detailed monthly basis to help flag such cases						
	35. **Legislative risk** - failure to comply with legislation, statutory regulation and formal guidance	• Officers seek guidance and advice from independent sources as appropriate • Advisers proactively raise issues and keep Officers aware of relevant issues • Officers receive regular training and attend appropriate LGPS events	1	4	4		1	4	4	Ongoing	Officers
	36. **Conflict of interests** (elected members, officers and advisers)	• Officers/ Committee seeks guidance and advice from independent sources as appropriate • Officers and members receive regular training and attend LGPS events, at which conflict issues will be raised as appropriate • Members are required to declare conflicts of interest at the start of meetings and at the point in a meeting when a conflict arises • Pension Board have their own conflicts of interest policy • Conflicts management plan in place with Hymans	1	3	3	• The Pensions Regulator's role in the LGPS include governance and conflict issues, and guidance and training will be forthcoming on these topics • Requirements and/or best practice may change as a result of the Good Governance initiative in the LGPS	1	3	3	Ongoing	PC / Officers

	37. **Mandate burden** - number of investment mandates inhibits Committee in its governance of investments	• Performance and relevant information of investment mandates reported to Committee as part of quarterly Performance Report • Committee provides clear delegation to Executive Director Corporate Services as and when required • Officers and Members meet regularly with investment managers outside of Committee time and feed back minutes of meetings • Independent investment advisor conducts separate monitoring meetings with managers as appropriate • Investment managers to be brought to Committee or London CIV (where their sub-fund is used) for targeted discussion where appropriate	2	1	2		2	1	2	Ongoing	PC / Officers
	39. **Termination valuation** not undertaken – missed opportunity to call in a debt.	• Admission Bodies are required to notify the Administering authority of termination and it requires employers with Best Value contractors to inform it of forthcoming changes.	2	1	2	• Regulations permit retrospective cessation valuation • monitor employer contribution receipts on a more detailed monthly basis to help flag such cases	2	1	2	Ongoing	Officers

	40. **Lack of delegation arrangements**	• Detailed scheme of delegation adopted for Council officers, and reviewed annually • Decisions to delegate specific activities from Committee to Executive Director Corporate Services agreed and documented at Committee meetings	1	2	2		1	2	2	Ongoing / As Necessary	Officers / PC
5.	ADMINISTRATION RISKS										
	44. Adequate level of **administration officer knowledge and skills** (Pension shared service)	• Effective personnel management and succession planning • Induction and knowledge sharing on local issues and requirements for new officers	2	3	6	• Ensure audit takes place post current restructure • Ensure the Hymans LGPS online learning academy is used	2	3	6	Ongoing	Pensions Manager
	42. **Changes to scheme members** (starters, leavers, retirements etc.) are not processed properly	• Scheme regulations are followed • Pensions team are well trained • Induction of new pensions administrators	2	2	4	• Actuary reviews changes in membership as part of each triennial funding valuation and will flag any issues • monitor employer contribution receipts & benefit payments on a more detailed monthly basis to help flag such cases	2	2	4	Ongoing	Pensions Manager

	46. **Data** and records are **not accurate** or accessible during lockdown	• Records have correct supporting documentation • Input and output checks are performed • Data matching exercises identify discrepancies (National Fraud Initiative) • Reliance provided by internal audit • The shared service have been fully operational during the COVID 19 pandemic and available to members and employers.	2	2	4	• Reconciliations are performed between payroll and pensions systems • Data quality is of the highest order at the Pension Shared Service to ensure valuation results are as accurate as possible. • Actuary reviews and reports as part of formal valuation • Additional scrutiny from Government Actuary's Department , DLUHC, Scheme Advisory Board, and the Pension Regulator	2	2	4	Ongoing	Pensions Manager
	47. **Employer Contributions not received** or recorded properly	• Pensions team dedicates appropriate time and resource to managing contributions • Reconciliations are carried out monthly	2	2	4	Monitor employer contribution receipts on a more detailed monthly basis to help avoid such cases	2	2	4	Monthly	Pensions Manager
	41. Added **complexity of scheme benefits** (following introduction of LGPS 2014 impacting officer time and risk of miscalculation)	• Scheme regulations are followed • Pensions team are well trained	1	3	3	• Audit to be carried out to review compliance with new regulations • Impending McCloud retrospective changes will make administration of the benefits more complex	1	3	3	Ongoing	Pensions Manager

	45. **Systems are not secure** and well maintained	• Internal audit of system setup and security • Systems administrator well trained • Data is backed up daily • System is protected from viruses and hacking • System is up to date and latest features of the software are used • Council clients the software provider and ensures issues are raised and addressed in latest releases	1	3	3	Monitor employer contribution receipts & benefit payments on a more detailed monthly basis to help independently verify up to date maintenance	1	3	3	Ongoing	Pensions Manager
	43. **Employers' data inaccurate**	• Liaison with schools, Supporting People directorate and out-sourced payroll providers to ensure accurate and timely data is received	3	1	3	• Audit exercise planned to review outsourced school payroll data • Introduction of i-connect employer module with Pension administration software at Pension Shared Service has improved data accuracy. All employers in the Camden Fund have gone live or engaging with the Shared Service to move to I Connect. • High level checks carried out by the Fund actuary as part of the 2022 valuation • Monitor employer contribution receipts & benefit payments on a more detailed monthly basis to help flag such cases	3	1	3	Ongoing	Pensions Manager

	48. Incorrect benefits paid	• Pensions team are well trained • Payments have correct supporting documentation • Management check performed on benefit payments before processing	1	2	2	Monitor employer benefit payments on a more detailed monthly basis to help flag such cases	1	2	2	Ongoing	Pensions Manager
	49. Audit fail to undertake proper checks	• Audit plan work to get reasonable expectation of detecting control weaknesses	2	1	2		2	1	2	Annually	Pensions Manager

Pension Fund Accounts

Pension Fund explanatory foreword

Introduction

The Council is the Administering Authority for the London Borough of Camden Pension Fund. The Fund, which is part of the Local Government Pension Scheme (LGPS), is governed by the Public Service Pensions Act 2013 and is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendments) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (issued by CIPFA) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

All employees automatically become members of the Fund on appointment with London Borough of Camden or a participating scheduled or admitted body.

The Fund's income is derived from employees' and employers' contributions and income from investments.

The London Borough of Camden Pension Fund operates as a defined benefit scheme and provides retirement pensions and lump sum allowances, widows' and children's pensions and death gratuities.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, benefits payable are now based on career average revalued pay and the number of years of eligible service. Pensions are increased annually in line with the Consumer Prices Index.

The following description of the Fund is a summary only. For further detail, reference should be made to the 2023/24 London Borough of Camden Pension Fund Annual Report and the underlying statutory powers underpinning the scheme. The Pension Fund Annual Report can be found on the Pension Fund website.

Investment management arrangements

The day-to-day management of the Fund's investments is carried out by professional fund managers appointed by the Council. As at 31 March 2024 there were 10 managers investing on behalf of the Fund:

- Aviva plc (via London LGPS CIV Ltd)
- Baillie Gifford & Co (via London LGPS CIV Ltd)
- CB Richard Ellis Global Investment Partners Ltd
- CQS (UK) LLP (via London LGPS CIV Ltd)
- HarbourVest Partners LLP
- Harris Associates LP
- Legal & General Investment Management Ltd
- Partners Group Management II S.A.R.L.
- PIMCO Europe Limited (via London LGPS CIV Ltd)
- Stepstone Group LP (via London LGPS CIV Ltd)

The Council has placed some of the Pension Fund assets under management with London LGPS CIV Ltd (LCIV), the organisation set up in 2015 by London Local Authorities to run pooled LGPS investments in London. The London LGPS CIV Ltd is authorised and regulated by the Financial Conduct Authority and represents the pooled investments of 32 Local Authority Pension Funds. The

London Borough of Camden Pension Fund holds investments in the LCIV Multi Asset Credit Fund (underlying managers CQS (UK) LLP and PIMCO Europe Limited), the LCIV Diversified Growth Fund (underlying manager Baillie Gifford & Co), the LCIV Real Estate Long Income Fund (underlying manager Aviva plc), the LCIV Infrastructure Fund (underlying manager Stepstone Group LP), the LCIV Global Alpha Growth Paris-Aligned Fund (underlying manager Baillie Gifford) and, since April 2024, the LCIV UK Housing Fund.

Each fund manager operates within mandated investment management agreements and targets determined by the Council's Pension Committee. Overall investment strategy is the responsibility of the Pension Committee which is comprised of eight councillors.

In 2023/24, the Pension Committee received advice from the Council's Executive Director Corporate Services, the Borough Solicitor and other Camden officers as well as the fund managers and the following professional consultants:

- Hymans Robertson LLP (Actuarial & Benefit Services)
- Isio Group Limited (Investment Consultants)
- Karen Shackleton (Independent Investment Advisor)
- Pensions & Investment Research Consultants Limited (PIRC) (Corporate Governance Services)

Pension Committee meetings are held quarterly and the details of the meetings, including agendas, minutes and regular reports on the Fund's performance can be found through the Pension Committee website: http://democracy.camden.gov.uk/ieListMeetings.aspx?CommitteeId=652

The market value of the assets (including cash & income receivable) held by the fund managers, the custodian and the Council as at 31 March 2024 is as follows:

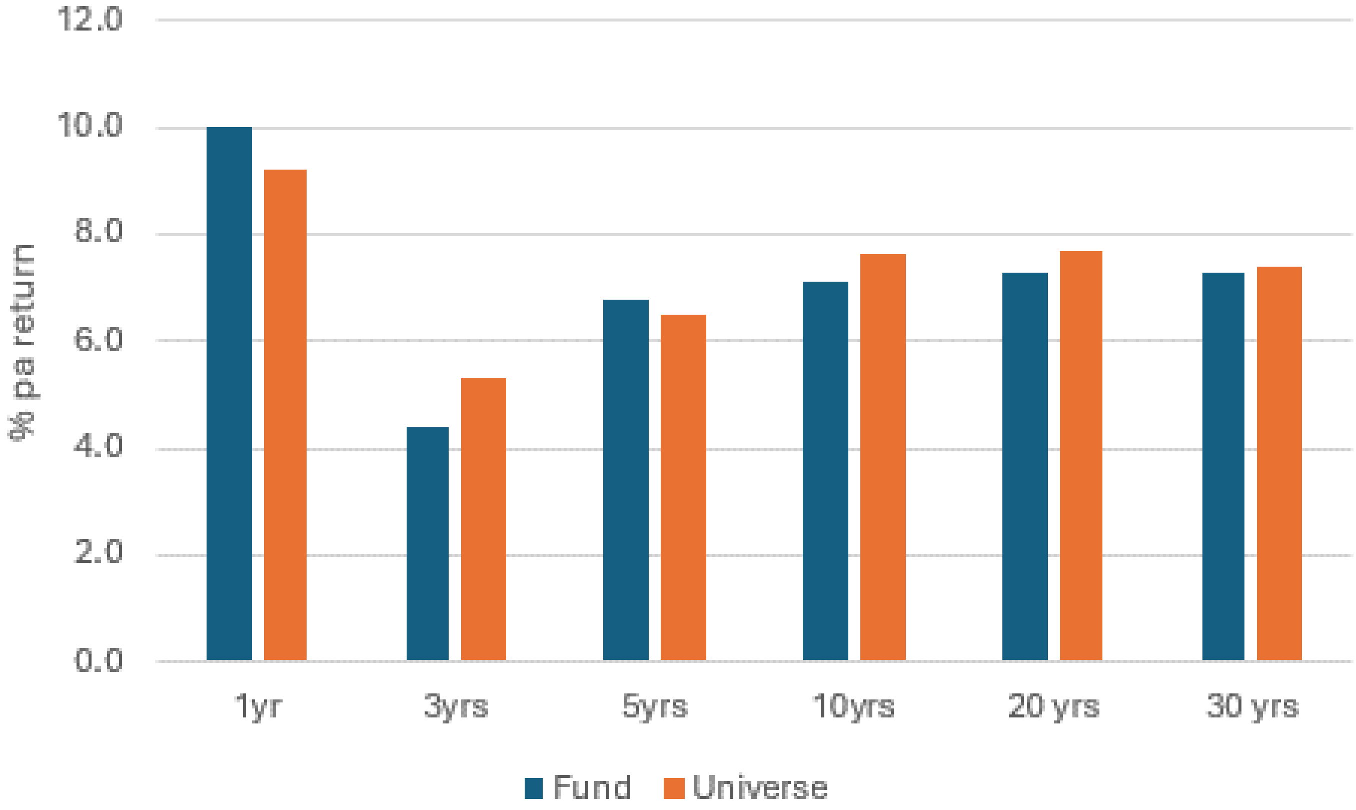
2022/23 £'000		2023/24 £'000
	CB Richard Ellis Collective Investors Ltd	
82,835	- Property - managed funds	75,630
2,934	- Property - unit trusts	8,454
10,127	- Cash	9,530
0	- Amounts payable for purchases	0
127	- Income receivable	93
96,023		**93,707**
	HarbourVest	
50,276	- Pooled investment vehicles - private equity	47,645
50,276		**47,645**
	Harris Associates L.P.	
11,159	- UK equities	6,984
166,883	- Overseas equities	93,087
0	- Derivative contracts: forward FX assets	0
2,230	- Income receivable	2,503
4,951	- Cash	3,001
303	- Amounts receivable from sales	86
0	- Derivative contracts: forward FX liabilities	0
(222)	- Amounts payable for purchases	0
185,304		**105,661**
	Legal & General Assurance Ltd	
69,786	- Pooled investment vehicles - index linked securities	149,709
680,710	- Pooled investment vehicles - global equities	824,862
750,496		**974,571**

2022/23 £'000		2023/24 £'000
	London CIV Ltd (Baillie Gifford)	
88,136	- Pooled investment vehicles - diversified growth	90,996
222,872	- Pooled investment vehicles - global equities	157,596
311,008		**248,592**
	London CIV Ltd (UK Housing Fund)	
0	- Cash pending investment	11,149
0		**11,149**
	London CIV Ltd (CQS & PIMCO)	
224,543	-Pooled investment vehicles - fixed interest	313,396
224,543		**313,396**
	London CIV Ltd (Stepstone)	
78,084	- Pooled investment vehicles - infrastructure	95,816
78,084		**95,816**
	London CIV Ltd (Aviva)	
75,191	- Pooled investment vehicles - property	68,105
75,191		**68,105**
	Partners Group (UK) Ltd	
87,508	- Pooled investment vehicles – global property	67,293
87,508		**67,293**
	JPM Custodian	
65,741	- Cash and cash equivalents	70,611
1,346	- Income receivable	1,153
67,087		**71,764**
	London Borough of Camden Council	
150	- UK unquoted equity	150
150		**150**
1,925,670	**TOTAL MARKET VALUE**	**2,097,849**

Investment returns

The investments of the Camden Pension Fund have delivered a return of 7.1% per annum during the last ten years. The diagram below provides a comparison between the performance of the Camden Fund and that of the average of other funds participating in benchmarking exercises for each year over this period. It shows the time-weighted return on investments for each period relative to the average. The comparative information is provided by Pensions & Investment Research Consultants Limited (PIRC).

In the latest year the Fund performed in the 55th percentile (100th means the worst performing and 1st the best). It is well ahead of its peers over the last three years but continues to trail over the longer term.



Fund portfolio and diversification

LGPS Regulations require that the Members of the Pension Committee and appointed fund managers should pay regard to the need to diversify investments and also to the suitability of particular investments. The Fund's Investment Strategy Statement and Funding Strategy Statement are contained in the Annual Report on the Pension Fund [website](#):

Admitted and Scheduled bodies

The Admitted and Scheduled bodies which made contributions to the Fund in 2023/24 were as follows:

Admitted bodies	
Abbey Road Housing Co-operative	Voluntary Action Camden
Agar Grove Housing Co-operative	Westminster Society - Central
Age UK Camden	Westminster Society - North
Camden Citizens Advice Bureau	
Caterlink Limited	
CleanTEC Services Limited	
Coram Family and Childcare	
Greenwich Leisure Limited	
Home Connections Limited	
LGIU	**Scheduled bodies**
MiHomecare Limited	Abacus Belsize School
MITIE PFI	Children’s Hospital School
National Association for Local Councils	King’s Cross Academy
NSL Limited	St Luke's School
Pendergate (Ridgecrest) Cleaning	UCL Academy
Veolia	The ArtsXchange

Membership

Total membership of the Fund at 31 March 2024 was 23,032 (31 March 2023: 22,639):

	31 March 2023	31 March 2024
Active employees	5,563	5,822
Members with deferred benefits	6,708	6,814
Pensioners & dependents pensions	7,656	7,784
Leavers with benefit calculation pending	817	697
Frozen refunds	1,895	1,915
Total	**22,639**	**23,032**

Benefits

Pension benefits under the LGPS based on pensionable pay and length of service up until 31 March 2024 are summarised below:

	Pension	Lump Sum
Service Pre-1 April 2008	Each year worked is worth 1/80 x final pensionable salary.	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment (known as a commutation). A lump sum of £12 is paid for each £1 of pension given up.
Service Post 31 March 2008 – 31 March 2014	Each year worked is worth 1/60 x final pensionable salary.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment (known as a commutation). A lump sum of £12 is paid for each £1 of pension given up.
Service Post 31 March 2014	Each year worked is worth 1/49 x pensionable earnings of that year (career average). Benefits are held in a pension account and revalued each year in-line with inflation.	Members of the LGPS before April 2008 have built up benefits which will include an automatic lump sum. In the new scheme eligible members are still entitled to the aforementioned benefit but can also exchange some pension for a tax-free cash lump sum (known as a commutation). Every £1 of pension sacrificed is equivalent to £12 of tax-free lump sum (subject to HM Revenue & Customs limits).

There are a range of other benefits provided under the scheme including early retirement, disability pension and death benefits. For more details, please refer to https://www.lgpsmember.org/

Pension Fund account

2022/23 £'000		Notes	2023/24 £'000
	Dealings with members, employers and others directly involved in the Fund		
(41,183)	Employer contributions	5	(64,737)
(14,294)	Employee contributions	5	(15,186)
(6,700)	Individual transfers in from other pension funds		(4,296)
(62,177)			**(84,219)**
	Benefits		
54,131	Retirement pensions	6	60,086
13,222	Commutation of pensions, lump sum retirement and death benefits	6	9,998
350	Payments in respect of tax		54
211,740	**Payments to and on account of leavers**	7	12,064
279,443			**82,202**
217,266	**Net (additions)/withdrawals from dealings with members**		**(2,017)**
16,773	Management expenses	8	17,658
234,039	**Net (additions)/withdrawals including fund management expenses**		**15,641**
	Returns on investments		
(24,168)	Investment income	9	(34,669)
128	Tax deducted from investment income		316
(24,040)			(34,353)
81,634	Profit and loss on disposal of investments and changes in the market value of investments	12	(172,134)
57,594	**Net returns on investments**		**(206,487)**
291,633	Net (increase)/decrease in the net assets available for benefits during the year		(190,846)
(2,194,641)	Opening net assets of the Fund		(1,903,008)
(1,903,008)	**Closing net assets of the Fund**		**(2,093,854)**

Pension Fund net assets statement

31 March 2023 £'000		Notes	31 March 2024 £'000
	Investment assets		
	Pooled investment vehicles:		
224,543	Fixed interest securities	10,12	313,396
69,786	Index linked securities	10,12	149,709
903,582	Overseas equities	10,12	982,458
78,084	Infrastructure	10,12	95,816
50,276	Private equity	10,12	47,645
248,468	Pooled property investments	10,12	219,949
88,136	Diversified growth funds	10,12	90,996
1,662,875			**1,899,969**
	Directly owned investment assets:		
11,309	UK equities	10,12	7,134
166,883	Overseas equities	10,12	93,087
80,820	Cash and cash equivalents	10,12	93,824
303	Amounts receivable from sales	10,12	86
3,703	Investment income receivable	10,12	3,749
1,925,893	**Total investment assets**		**2,097,849**
	Investment liabilities		
(1)	Derivative contracts: forward foreign exchange	13	0
(222)	Amounts payable for purchases	10,12	0
(223)	**Total investment liabilities**		**0**
1,925,670	**Net value of investment assets**		**2,097,849**
	Other net assets		
1,165	Current assets	19	2,682
(23,827)	Current liabilities	20	(6,677)
1,903,008	**Net assets of the Fund available to fund benefits at the period end**		**2,093,854**

The net asset statement includes all assets and liabilities of the Fund as at 31 March 2024 but excludes long-term liabilities to pay pensions and benefits in future years.

Note 1 Basis of preparation of financial statements

The Statement of Accounts summarises the Fund's transactions for the 2023/24 financial year and its financial position at 31 March 2024. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2023/24* (the Code), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is based upon International Financial Reporting Standards (IFRS) as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the Net Assets Statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information in note 18.

The Pension Fund's Statement of Accounts have been prepared on a going concern basis with the assumption that the functions of the Administering Authority will continue in operational existence for the foreseeable future.

Accounting Standards issued but not adopted

Under the Code of Practice on Local Authority Accounting there is a requirement to disclose the impact of accounting standards issued but not yet adopted.

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom. These standards will have no significant impact on amounts reported in this year's Pension Fund accounts:

a) Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020.
b) Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022.
c) Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022.

d) International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12) issued in May 2023.
e) Supplier Finance Arrangements (Amendments to IAS 7 and IFRTS 7) issued in May 2023.

Note 2 Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

Normal contributions from employers are accounted for on an accruals basis for the payroll month to which they relate at rates as specified in the Actuarial Valuation rates and adjustments certificate.

Employee contributions are accounted for based on rates set centrally in accordance with Local Government Pension Scheme Regulations.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the Actuary or on receipt if earlier than the due date.

Employer augmentation and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid as this is normally when the member liability is accepted or discharged. Bulk transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment income

Income due from equities is accounted for on the date the stocks are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Interest income is recognised in the fund account as it accrues using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Changes in the market value of investments are recognised as income and comprise all realised and unrealised profits and losses during the year.

Fund account – expense items

d) Benefits payable

Under the rules of the scheme, members may receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a

Fund expense as it arises. As the Council is the administering authority for the Fund, VAT input tax is recoverable on all Fund activities including expenditure on investment expenses.

Members are entitled to request the Pension Fund to pay their tax liabilities in respect of annual and lifetime allowance tax in exchange for a reduction in final benefits. Where the Fund pays member tax liabilities direct to HMRC they are treated as an expense and charged through the fund account in the year in which the payment occurs.

f) Management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the external investment fund managers and custodian are agreed in the respective mandates governing their appointments. Generally, fees are based on the market value of the investments under their management and therefore increase or reduce as the value of those investments change.

In the interests of greater transparency, the Council discloses its Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). The profit and loss on disposal of investments and changes in the market value of investments also takes account of the fees which have been deducted from investments at source.

Costs of administration are charged directly to the Fund partly by the Administering Authority, the London Borough of Camden and, partly by the Pensions Shared Service which administers benefits on behalf of the London Boroughs of Camden, Wandsworth, Richmond, Waltham Forest and Merton.

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement either on a fair value or amortised cost basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13. For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Investment valuations are provided by the Fund's Custodian, JP Morgan (JPM), and are based on bid values as at the date of the net assets statement. Unlisted assets for which the JPM Pricing team cannot source values independently are priced using the latest accounting reports provided by the relevant fund manager. If this valuation point is not at year end, the net asset value is adjusted to take account of any drawdowns at cost in the intervening period.

h) Foreign currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. Spot market exchange rates at the end of the financial year are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Surpluses and deficits arising on conversion of currencies are dealt with as part of the change in market values of the investments.

i) Derivatives

The Fund uses forward foreign exchange contracts to manage its exposure to currency risk arising from its investment activities. The Fund does not hold derivatives for speculative purposes. Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.

j) Cash and cash equivalents

Cash comprises demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

k) Financial liabilities

Financial liabilities are recognised in the net assets statement when the Fund becomes a party to the contractual provisions of a financial instrument. These liabilities are carried at fair value or amortised cost at the reporting date. Assets and liabilities in overseas currencies are translated into Sterling at the exchange rates prevailing at the balance sheet date. Transactions during the year are translated at rates applying at the transaction dates.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the Fund's actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a supporting note to the accounts (Note 18).

m) Additional voluntary contributions (AVCs)

The Council has appointed Prudential Assurance Company Limited and Phoenix Life Limited as its AVC providers. Assets are invested separately from those of the Pension Fund. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 21).

Note 3 Critical judgements in applying accounting policies

It has not been necessary to make any critical judgements in applying the accounting policies in 2023/24.

Note 4 Assumptions made about the future and other major sources of uncertainty

The preparation of the Statement of Accounts involves making judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the income and expenditure during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

There are no items in the net assets statement for which there is a significant risk of material adjustment in the forthcoming financial year.

Note 5 Contributions receivable

Employee contributions are calculated on a sliding scale based on a percentage of their pensionable pay. The Council and Scheduled and Admitted bodies are required to make contributions determined by the Fund's actuary to maintain the solvency of the Fund.

2022/23 £'000		2023/24 £'000
	By category	
	Employer contributions:	
(40,077)	Normal	(43,653)
(244)	Deficit recovery	(20,548)
(862)	Augmentation	(536)
(41,183)		**(64,737)**
(14,294)	Employee contributions	(15,186)
(55,477)	**Total**	**(79,923)**

2022/23 £'000		2023/24 £'000
	By type of employer	
(54,041)	Administering authority	(77,725)
(580)	Scheduled bodies	(652)
(856)	Admitted bodies	(1,546)
(55,477)	**Total**	**(79,923)**

Augmentations are pension strain contributions from employers to make up for funding shortfall following early retirement or ill health retirement.

Note 6 Benefits payable

2022/23 £'000		2023/24 £'000
	By category	
54,131	Pensions	60,086
10,415	Commutation of pensions and lump sum retirement benefits	8,634
2,807	Lump sum death benefits	1,364
67,353	**Total**	**70,084**

2022/23 £'000		2023/24 £'000
	By type of employer	
59,918	Administering authority	62,281
336	Scheduled bodies	376

7,099	Admitted bodies	7,427
67,353	**Total**	**70,084**

Note 7 Payments to and on account of leavers

2022/23 £'000		2023/24 £'000
165	Refunds to members leaving service	194
201,841	Group transfers	0
9,734	Individual transfers	11,870
211,740	**Total**	**12,064**

There was a group transfer out of the Fund during 2022/23. The Improvement and Development Agency (which participated in the Fund as an Admitted body) had applied to the Secretary of State for permission to transfer the administration of its pension obligations under the LGPS to another LGPS Fund. In April 2022, the Camden Pension Fund made a payment of £201.8m to Merseyside Pension Fund representing the final transfer of assets, liabilities and membership to that Fund.

Note 8 Management expenses

2022/23 £'000		2023/24 £'000
890	Administrative costs	900
185	Oversight and governance costs	295
15,698	Investment management expenses	16,463
16,773	**Total**	**17,658**

Investment management expenses have been grossed up to include fees of £14.8m deducted from fund assets at source in line with the CIPFA guidance *Accounting for LGPS Management Expenses (2016)*. This adjustment has an equal impact on investment management expenses and the change in market value of investments. There is no impact on the overall net assets of the Fund. Administrative and oversight and governance costs can be further broken down as follows:

Administrative costs

2022/23 £'000		2023/24 £'000
537	Pensions administration fees	533
223	Systems management	208
130	Council officers' salaries recharge	159
890	**Total**	**900**

Oversight and governance costs

2022/23 £'000		2023/24 £'000
109	Actuarial advice	66
15	Investment consultancy	92
6	External audit fees	79
45	Corporate governance	49
4	Other	3
6	Performance measurement	6
185	**Total**	**295**

Regulations permit the Council to charge administrative costs to the scheme. A proportion of relevant Council officers' salaries, including on-costs, have been charged to the Fund on the basis of time estimated to have been spent on scheme administration and investment related business.

Included in oversight and governance costs is the external audit fee for 2023/24 of £69,572 (2022/23: £16,170). The total of £79k charged in the current year includes additional fees incurred above the basic scale fee on the audits of the 2019/20 and 2020/21 Pension Fund accounts and an estimate for the same on the 2021/22 audit.

Note 8a Investment management expenses

Investment management expenses can be further analysed as follows:

2022/23 £'000		2023/24 £'000
7,049	Management fees	6,749
(4,124)	Performance related fees	1,123
5,401	Investment administration fees	3,493
5,895	Transaction costs	2,816
841	Property expenses	966
596	Other costs	1,284
40	Custody fees	32
15,698	**Total**	**16,463**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the Fund had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, anti-dilution levies, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Note 9 Investment Income

The table below provides a breakdown of the investment income for the year:

2022/23 £'000		2023/24 £'000
(171)	Dividends from UK equities	(309)
(3,520)	Dividends from overseas equities	(3,963)
(3,989)	Income from pooled property investments	(2,581)
(15,141)	Income from other pooled investment vehicles	(25,503)
(1,347)	Income from cash deposits	(2,313)
(24,168)	**Total income before taxes**	**(34,669)**

Note 10 Investments

31 March 2023 £'000		31 March 2024 £'000
	Equities (UK)	
11,159	Quoted	6,984
150	Unquoted	150
	Equities (Overseas)	
166,883	Quoted	93,087
178,192		**100,221**
	Pooled investment vehicles (UK)	
224,543	Fixed income	313,396
69,786	Public sector index linked	149,709
88,136	Diversified growth funds	90,996
160,960	Property	152,656
78,084	Infrastructure	95,816
621,509		**802,573**
	Overseas	
903,582	Equities	982,458
87,508	Property	67,293
50,276	Private equity	47,645
1,041,366		**1,097,396**
	Other assets	
0	Forward currency contracts	0
80,820	Cash and cash equivalents	93,824
3,703	Investment income due	3,749
303	Amounts receivable from sales	86
84,826		**97,659**
1,925,893	**Total investment assets**	**2,097,849**
	Other liabilities	
(1)	Forward currency contracts	0

(222)	Amounts payable for purchases	0
(223)	**Total investment liabilities**	**0**
1,925,670	**Net investment assets**	**2,097,849**

Note 11 Fund manager valuations

The market value and proportion of investments managed by each fund manager and the custodian at 31 March 2024 was as follows:

31 March 2023		**Fund manager/custodian**	**31 March 2024**	
£'000	**%**		**£'000**	**%**
		Managed within LCIV regional asset pool:		
311,008	16.2%	Baillie Gifford & Co (London CIV)	248,592	11.9%
224,543	11.7%	CQS & PIMCO (London CIV)	313,396	14.9%
78,084	4.1%	Stepstone (London CIV)	95,816	4.6%
75,191	3.9%	Aviva (London CIV)	68,105	3.2%
-	-	London CIV (UK Housing Fund)	11,149	0.5%
688,826	35.9%		737,058	35.1%
		Managed outside regional asset pool:		
750,496	39.0%	Legal & General	974,571	46.5%
185,304	9.5%	Harris Associates	105,661	5.0%
96,023	5.0%	CBRE	93,707	4.5%
87,508	4.5%	Partners Group	67,293	3.2%
50,276	2.6%	HarbourVest	47,645	2.3%
150	0.0%	Council*	150	0.0%
67,087	3.5%	JP Morgan custodian cash account	71,764	3.4%
1,236,844	64.1%		1,360,791	64.9%

1,925,670	**100%**		**2,097,849**	**100%**

* The Council holds unquoted equities in London CIV Ltd (the organisation set up to run pooled LGPS investments in London) valued at cost, i.e. transaction price of £150,000. The inputs available to the Fund to calculate fair value are limited and the Fund believes that the original transaction price represents an appropriate estimate of fair value.

Note 12 Reconciliation of movements in investments

2023/24

	31-Mar-23 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Realised gains and (losses) £'000	Unrealised gains and (losses) £'000	Change in Market Value £'000	31-Mar-24 £'000
Pooled investment vehicles:							
- Fixed interest securities	224,543	78,936	0	0	9,917	9,917	313,396
- Index linked securities	69,786	84,000	0	0	(4,077)	(4,077)	149,709
- Global equities	903,582	6,243	(98,941)	(14,227)	185,801	171,574	982,458
- Private equity	50,276	0	(3,517)	3,474	(2,588)	886	47,645
- Property	248,468	10,760	(6,289)	1,934	(34,924)	(32,990)	219,949
- Diversified growth fund	88,136	1,641	0	0	1,219	1,219	90,996
- Infrastructure	78,084	14,930	0	0	2,802	2,802	95,816
	1,662,875	**196,510**	**(108,747)**	**(8,819)**	**158,150**	**149,331**	**1,899,969**
Directly owned assets:							
UK equities	11,309	5,421	(6,868)	(1,142)	(1,586)	(2,728)	7,134
Overseas equities	166,883	56,502	(141,367)	19,210	(8,141)	11,069	93,087
	178,192	**61,923**	**(148,235)**	**18,068**	**(9,727)**	**8,341**	**100,221**
Derivatives – forward currency contracts	(1)	434	(352)	(82)	1	(81)	0
Total	**1,841,066**	**258,867**	**(257,334)**	**9,167**	**148,424**	**157,591**	**2,000,190**
Cash and cash equivalents	80,820					(440)	93,824
Amounts receivable for sales of investments	303					151	86
Investment income due	3,703						3,749
Amounts payable for investment purchases	(222)						0
Gross up of fees deducted at source						14,832	
Net investment assets	**1,925,670**					**172,134**	**2,097,849**

Note 12 Reconciliation of movements in investments (cont'd)

2022/23

	31-Mar-22 £'000	Purchases and derivative payments £'000	Sales and derivative receipts £'000	Realised gains and (losses) £'000	Unrealised gains and (losses) £'000	Change in Market Value £'000	31-Mar-23 £'000
Pooled investment vehicles:							
- Fixed interest securities	152,653	186,670	(100,089)	444	(15,135)	(14,691)	224,543
- Index linked securities	100,315	0	0	0	(30,529)	(30,529)	69,786
- Global equities	1,085,158	1,165	(157,248)	69,733	(95,226)	(25,493)	903,582
- Private equity	57,532	0	(11,301)	1,406	2,639	4,045	50,276
- Property	287,141	1,383	(10,285)	1,455	(31,226)	(29,771)	248,468
- Diversified growth fund	172,294	1,545	(75,908)	15,712	(25,507)	(9,795)	88,136
- Infrastructure	45,325	24,285	0	0	8,474	8,474	78,084
	1,900,418	**215,048**	**(354,831)**	**88,750**	**(186,510)**	**(97,760)**	**1,662,875**
Directly owned assets:							
UK equities	9,604	3,433	(1,850)	496	(374)	122	11,309
Overseas equities	167,909	53,816	(55,293)	(667)	1,118	451	166,883
	177,513	**57,249**	**(57,143)**	**(171)**	**744**	**573**	**178,192**
Derivatives – forward currency contracts	(1)	588	(157)	(431)	(0)	(431)	(1)
Total	**2,077,930**	**272,885**	**(412,131)**	**88,148**	**(185,766)**	**(97,618)**	**1,841,066**
Cash and cash equivalents	146,415					1,971	80,820
Amounts receivable for sales of investments	424					(80)	303
Investment income due	3,214						3,703
Amounts payable for investment purchases	(1,315)						(222)
Gross up of fees deducted at source						14,093	
Net investment assets	**2,226,668**					**(81,634)**	**1,925,670**

Note 13 Analysis of derivatives

Outstanding forward currency contracts are as follows:

Settlement	Currency bought	Local Value	Currency sold	Local Value	Asset Value £'000	Liability Value £'000
Up to one month	USD	81	EUR	(75)		0
Up to one month	USD	27	EUR	(25)	0	
Open forward currency contracts at 31 March 2024					0	0
Net forward currency contracts at 31 March 2024						0
2022/23 Comparator						
Open forward currency contracts at 31 March 2023					0	(1)
Net forward currency contracts at 31 March 2023						(1)

Note 14a Fair value – basis of valuation

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as Level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available, for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value, and these techniques use inputs that are based significantly on observable market data. This includes NAV based pricing for units held in unquoted pooled funds.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The valuation basis for each category of investment asset is set out below:

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments- equities	Level 1	Published bid market price at end of the accounting period	Not required	Not required
Cash	Level 1	Carrying value is deemed to be fair value	Not required	Not required
Investment receivables and payables	Level 1	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments	Not required	Not required
Cash equivalents	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV per share	Not required
Pooled funds – equities and bonds	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV based pricing set on a forward pricing basis.	Not required
Pooled funds - private equity	Level 2	Most recent valuation	NAV published, cashflow transactions i.e., distributions or capital calls	Not required
Pooled funds - property and infrastructure	Level 2	Closing bid price where bid and offer prices are published; closing single price where single price published	NAV published, cashflow transactions i.e., distributions or capital calls	Not required

The following tables provide an analysis of the financial assets and liabilities of the Pension Fund as held at the custodian, grouped into Levels 1 to 3 based on the Level at which the fair value is observable.

The Pension Fund is a shareholder in London LGPS CIV Limited (the organisation set up to run pooled LGPS investments in London). This unquoted equity holding is carried in the net assets statement at cost of £150,000 and classified as Level 3 in the tables below.

Values at 31 March 2024	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Assets:				
Cash & currencies	31,583			31,583

Cash equivalents		62,241		62,241
Equities	100,071		150	100,221
Pooled funds		1,899,969		1,899,969
Receivables	3,835			3,835
Total financial assets	**135,489**	**1,962,210**	**150**	**2,097,849**
Liabilities:				
Payables	0			0
Total financial liabilities	**0**	**0**	**0**	**0**
Grand total	**135,489**	**1,962,210**	**150**	**2,097,849**

Values at 31 March 2023	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
Assets:				
Cash & currencies	23,636			23,636
Cash equivalents		57,184		57,184
Equities	178,042		150	178,192
Pooled funds		1,662,875		1,662,875
Receivables	4,006			4,006
Total financial assets	**205,684**	**1,720,059**	**150**	**1,925,893**
Liabilities:				
Payables	(223)			(223)
Total financial liabilities	**(223)**			**(223)**
Grand total	**205,461**	**1,720,059**	**150**	**1,925,670**

Note 14b Transfers between the Levels

There were no transfers between the Levels during the year.

Note 14c Classification of financial instruments

	31 March 2023	**31 March 2024**

	Fair value through profit & loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000	Fair value through profit & loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
Financial assets						
Equities and equity funds	1,081,774			1,082,679		
Fixed income funds	224,543			313,396		
Index linked funds	69,786			149,709		
Diversified growth funds	88,136			90,996		
Pooled property funds	248,468			219,949		
Private equity	50,276			47,645		
Pooled infrastructure funds	78,084			95,816		
Forward currency contracts	0			0		
Cash deposits - investments		80,820			93,824	
Investment income due		3,703			3,749	
Amounts receivable from sales		303			86	
Debtors		472			237	
Cash at bank		693			2,445	
	1,841,067	**85,991**	**0**	**2,000,190**	**100,341**	**0**
Financial liabilities						
Forward currency contracts	(1)			0		
Amounts payable for purchases			(222)			0
Creditors			(23,827)			(6,677)
Total	**1,841,066**	**85,991**	**(24,049)**	**2,000,190**	**100,341**	**(6,677)**

Note 15 Net gains and losses on financial instruments

All realised (gains) and losses arise from the sale or disposal of financial assets that have been derecognised in the financial statements.

2022/23 £'000		2023/24 £'000
	Financial assets	
83,094	Fair value through profit and loss	(172,423)
(1,891)	Assets at amortised cost	289
	Financial liabilities	

431	Fair value through profit and loss	0
81,634	**Total**	**(172,134)**

Note 16 Nature & extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price, currency and interest rate risks) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows.

The Fund manages these investment risks as part of its overall Fund risk management programme. Responsibility for the Fund's risk management strategy rests with the Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund and these are regularly reviewed to reflect changes in Fund activities and market conditions.

Market risk

Market risk is the risk of a loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities particularly through any equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and asset mix. In general, excessive volatility in market risk is managed through diversification of the portfolio in terms of asset class, geographical and industry sectors and individual securities. Regular monitoring of market conditions and analysis is undertaken by the Pension Committee to mitigate market risk whilst optimising return.

Price risk

Price risk is the risk that the value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to individual investments or those affecting all securities in the market. The Fund is exposed to price risk through its holdings in equities and pooled investment vehicles. The Fund aims to manage this risk by diversifying investments across asset classes and markets.

The table below shows the estimated change in the net assets available to pay benefits if market prices were to increase or decrease by 10%. The analysis excludes cash and working capital the valuations of which are not directly subject to market risk.

	Value £'000	Value on 10% price increase £'000	Value on 10% price decrease £'000
As at 31 March 2024	2,000,190	2,200,209	1,800,171
As at 31 March 2023	1,841,066	2,025,173	1,656,959

Currency risk

Currency risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than Sterling (the functional currency). A strengthening/weakening of Sterling against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits. To estimate the potential impacts of currency risk, the currency exchange rate volatility (i.e. % change relative to Sterling) of individual currencies is used as provided by ratesfx.com. For holdings in pooled investment vehicles, the effects of a 10% increase or 10% decrease in the value of Sterling are calculated as a proxy.

The following table summarises the Fund's currency exposure based on its holdings of overseas equities and property as at 31 March 2024:

Currency	Value at 31 March 2024 £'000	Potential change %	Value on increase £'000	Value on decrease £'000
Euro	33,827	3.50%	35,011	32,643
Japanese Yen	20	8.21%	21	18
South Korean Won	3,269	5.31%	3,443	3,095
Swiss Franc	6,346	6.00%	6,726	5,966
US Dollar	54,901	5.76%	58,064	51,739
Danish Krone	1,022	3.50%	1,057	986
Hong Kong Dollar	1,357	5.70%	1,435	1,280
Global basket	982,458	10.00%	1,080,704	884,212
Total Overseas Equity	**1,083,200**		**1,186,461**	**979,939**
Overseas private equity (US$)	47,645	5.76%	50,389	44,900
Overseas Property (€)	7,114	3.50%	7,363	6,865
Overseas Property (US$)	60,179	5.76%	63,645	56,712
Total Currency	**1,198,138**		**1,307,858**	**1,088,416**

The % change for Total Currency includes the impact of correlation across the underlying currencies

For comparison, the following table summarises the Fund's currency exposure as at 31 March 2023:

Currency	Value at 31 March 2023 £'000	Potential change %	Value on increase £'000	Value on decrease £'000
Euro	66,200	3.84%	68,742	63,658
Japanese Yen	23	7.18%	24	21
South Korean Won	7,942	5.94%	8,414	7,471
Swiss Franc	11,823	5.09%	12,424	11,221
US Dollar	85,342	6.36%	90,770	79,914
Danish Krone	1,852	3.76%	1,921	1,782
Hong Kong Dollar	5,397	6.30%	5,737	5,057
Global basket	903,582	10.00%	993,940	813,224
Total Overseas Equity	**1,082,161**		**1,181,972**	**982,348**
Overseas private equity (US$)	50,276	6.36%	53,473	47,078
Overseas Property (€)	9,916	3.84%	10,297	9,535
Overseas Property (US$)	77,592	6.36%	85,527	72,657
Total Currency	**1,219,945**		**1,328,269**	**1,111,618**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. The fixed income securities are subject to interest rate risks which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following analysis shows the Fund's exposure to interest rate risk by estimating the potential impacts a 1% change in interest rates would have on the net assets available to pay benefits:

31 March 2024

Assets exposed to interest rate risk	Value at 31 March 2024 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash deposits	93,824	0	93,824	93,824
Fixed income *	346,127	7,746	338,381	353,873
Index linked securities	149,709	28,295	121,414	178,004
Total	**589,660**	**36,041**	**553,619**	**625,701**

* Includes fixed income proportion held within diversified growth funds.

31 March 2023

Assets exposed to interest rate risk	Value at 31 March 2023 £'000	Potential movement on 1% change in interest rates £'000	Value on increase £'000	Value on decrease £'000
Cash deposits	80,820	0	80,820	80,820
Fixed income	257,136	7,354	249,782	264,490
Index linked securities	69,786	13,608	56,178	83,394
Total	**407,742**	**20,962**	**386,780**	**428,704**

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk however, the selection of high-quality counterparties and financial institutions and legal due diligence carried out on all fund managers and the custodian, minimises the credit risk that may occur through the failure to settle a transaction.

The Fund's on-call sterling and dollar deposits with the custodian are swept into JP Morgan Money Market funds which have an AAA credit rating from Fitch and Standard & Poor agencies.

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund actively monitors cash flow and maintains an adequate level of liquidity to meet its commitments. Liquidity is managed by:

- regular daily monitoring of cash balances to ensure sufficient funds are available
- annual reviews of the projected cash flows taking into consideration contributions receipts, benefits payments and fees and expenses
- maintaining access to short-term funding options in the event of any unexpected cash flow requirements.

Single investment risk

The following singular investments represent more than 5% of the net assets of the Fund. Each of the investments below is a pooled investment vehicle constituted from a large number of underlying assets. None of the underlying assets represents more than 5% of the Fund.

Investment	Value at 31 March 2023 £'000	% of Total Fund	Value at 31 March 2024 £'000	% of Total Fund
Legal & General Future World Global Equity Index	279,641	14.5%	339,614	16.2%
LCIV Multi Asset Credit Fund	224,543	11.7%	313,396	14.9%
Legal & General North America Equity Index Fund	247,878	12.9%	313,237	14.9%

LCIV Global Alpha Paris-Aligned Fund	222,872	11.6%	157,596	7.5%
Legal & General Over 5y Index-Linked Gilts Fund	69,786	3.6%	149,709	7.1%

The Fund has policies in place to ensure that exposure to any one investment is monitored and remains within acceptable limits to prevent excessive concentration of risk.

Note 17 Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund is subject to actuarial valuation every three years at which time, its actuary is required to specify the employers' contribution rates to the Fund necessary to ensure that present and future commitments can be met. The latest completed actuarial valuation of the Fund was carried out by Hymans Robertson LLP as at 31 March 2022 and the revised contribution rates were effective from 1 April 2023. The next formal actuarial valuation is due as at 31 March 2025 with new contribution rates for employers then taking effect from 1 April 2026. The full 2022 valuation report can be accessed here.

The market value of the Fund's assets at the 31 March 2022 valuation date was £1.973bn and the actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.741bn. There was, therefore, a surplus of assets over liabilities of £232m and the Fund was said to be 113% funded.

Liabilities were calculated using the projected unit actuarial method and the main actuarial assumptions were as follows:

Financial assumptions		
Year ended	**31 March 2019**	**31 March 2022**
Pension increase rate (CPI)	2.30% p.a.	2.70% p.a.
Salary increase rate	2.70% p.a.	3.20% p.a.
Discount rate	4.50% p.a.	4.40% p.a.

In the 31 March 2019 actuarial valuation, assets were valued using a discount rate derived from a 70% likelihood that the Fund's investments will return at least 4.5% over the next 20 years (based on stochastic asset projection). For 31 March 2022, the discount rate was derived from a 70% likelihood that the Fund's investments will return at least 4.4% over the next 20 years based on similar stochastic asset projection.

At 31 March 2019, the assets were sufficient to meet 103% of the liabilities and at 31 March 2022, the actuary estimated, assuming reasonable future investment returns, the Fund was 113% funded. The average employee contributions rate is 7% of pensionable pay (2022: 7%) and the total contributions expected to be received over the current triennial cycle, years 2023/24, 2024/25 and 2025/26, will be similar to the 2019-2022 cycle. After consultation with the actuary, the Fund has agreed a contribution strategy with a cap of 1% on increases (and decreases) to main employer contribution rates. In 2023/24, the expected overall contribution rate (primary plus secondary) for the Administering Authority was 29.6% (2022/23: 31.5%).

Note 18 Actuarial present value of promised retirement benefits

In addition to the triennial valuation, the Fund's Actuary, Hymans Robertson LLP, also undertakes a valuation of the pension fund liabilities every year using assumptions in line with IAS 19 to provide an estimate of the actuarial present value of promised retirement benefits. As an actuarial valuation has not been prepared at the date of these financial statements, the promised retirement benefits at 31 March 2024 have been projected using a roll forward approximation from the latest formal funding valuation at 31 March 2022.

The Actuary estimated the defined benefit obligation to be £1,873m as at 31 March 2024.

Present value of promised retirement benefits		
Year ended	**31 March 2023**	**31 March 2024**
Active members (£m)	(589)	(633)
Deferred members (£m)	(422)	(417)
Pensioners (£m)	(841)	(823)
Total (£m)	**(1,852)**	**(1,873)**
Fair value of Fund assets (bid value)	1,926	2,098
Net asset/(liability) (£m)	**74**	**225**

These figures are prepared only for the purposes of providing the information required by IAS26, they are not relevant for calculations undertaken for funding purposes.

The key assumptions used are:

Financial assumptions		
Year ended	**31 March 2023**	**31 March 2024**
Pension increase rate (CPI)	3.00% p.a.	2.80% p.a.
Salary increase rate	3.50% p.a.	3.30% p.a.
Discount rate	4.75% p.a.	4.80% p.a.

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2022 model, with a 25% weighting of 2022 data, 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Demographic assumptions		
	Males	**Females**
Current pensioners	21.3 years	24.1 years.
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.6 years	25.6 years

All other demographic assumptions are unchanged from 2023 and are as per the latest funding valuation of the Fund.

Note 19 Current assets

31 March 2023 £'000		31 March 2024 £'000
693	Pension Fund bank account	2,445
84	Contributions receivable – employers	105
19	Contributions receivable - employees	32
369	Debtors	100
1,165	**Total**	**2,682**

Note 20 Current liabilities

31 March 2023 £'000		31 March 2024 £'000
(945)	Creditors	(1,040)
(1,446)	Benefits payable	(643)
(21,436)	Net amount due to London Borough of Camden	(4,994)
(23,827)	**Total**	**(6,677)**

Note 21 Additional voluntary contributions

Additional voluntary contributions (AVCs) are not included in the Pension Fund Accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Council has appointed Phoenix Life Limited and Prudential Assurance Company Limited as its AVC providers. Phoenix Life operates two funds, the deposit fund and the managed fund and employees can contribute to either. Prudential Assurance offers a choice of funds catering for risk appetites ranging from minimal to higher risk. Members have the option to choose a combination of these funds or to invest in the default fund (with profits) or a lifestyle option. The lifestyle option commences with higher risk investments and is gradually switched to lower risk investments as the member moves closer to retirement. The values and transaction summaries of the AVC funds are shown below. Note, the Phoenix Life accounts are produced on a calendar year basis so their numbers below are for the years ended 31 December 2022 and 31 December 2023.

	Prudential £'000		Prudential £'000
Value at 1 April 2022	**2,421**	**Value at 1 April 2023**	**2,919**
Contributions & transfers received	971	Contributions & transfers received	1,861
Investment return	(18)	Investment return	248
Paid out	(455)	Paid out	(567)
Value at 31 March 2023	**2,919**	**Value at 31 March 2024**	**4,461**

	Phoenix Life Ltd £'000		Phoenix Life Ltd £'000
Value at 1 January 2022	**817**	**Value at 1 January 2023**	**668**
Contributions & transfers received	9	Contributions & transfers received	5
Investment return	(42)	Investment return	44
Paid out	(116)	Paid out	(120)
Value at 31 December 2022	**668**	**Value at 31 December 2023**	**597**

Note 22 Related party transactions

The London Borough of Camden Pension Fund is administered by the London Borough of Camden Council and consequently, there is a strong relationship between the Council and the Pension Fund. The Council is the single largest employer of members of the Pension Fund with contributions as presented in Note 5.

In 2023/24 £159k was paid to the Council for finance and accountancy services (£130k in 2022/23), and £533k was paid to the Pensions Shared Service located at Wandsworth Council for providing the pensions administration service (£537k in 2022/23).

At 31 March 2024, there was a net amount of £4.9m due from the Pension Fund to the Council (31 March 2023: £21.4m). Subsequent to the year end on 17 April 2024, the Pension Fund cleared the debt to the Council with a payment of £10.8m.

The Council, via the Pension Fund, is a shareholder in London LGPS CIV Limited and the net assets statement includes unquoted shares at cost £150k (31 March 2023: £150k). Fees invoiced to the Fund by LCIV for the year were £417,446 (2022/23: £451,662) of which £176,097 was outstanding for payment at 31 March 2024.

Governance
Councillors are no longer permitted to participate in LGPS schemes but may be deferred or pensioner members. Each member of the Pension Fund Committee is required to declare their interests at each meeting.

Key Management Personnel
The Head of Treasury and Financial Services held a key position in the management of the Pension Fund for the year to 31 March 2024.

No other material transactions with related parties of the Fund during 2023/24 were identified.

Note 23 Contractual capital

Property

The Fund has undrawn contractual capital in relation to three unquoted limited partnership funds in global property; one Euro denominated Luxembourg 'SICAR' and two US Dollar denominated Guernsey Limited Partnerships. These are drawn down in tranches over time as and when the manager needs the cash to invest in underlying investments. The Euro fund had £2.166m of undrawn contractual capital outstanding as at 31 March 2024 (£2.226m as at 31 March 2023) and the US Dollar funds had a total of £44.980m of undrawn contractual capital outstanding as at 31 March 2024 (£46.715m as at March 2023). These amounts are not required to be included in the Pension Fund accounts.

In December 2023, the Fund agreed to invest £97m in the London CIV UK Housing Fund. This investment will also be made in tranches over time as and when the manager needs the cash to invest in underlying investments. The first drawdown was called in April 2024 for £10.7m.

Private equity

The Fund has a further commitment in relation to its private equity mandate via the HarbourVest 2016 Global AIF Limited Partnership. This commitment is drawn down in tranches over time as and when the manager requests cash to fund underlying investments. The fund is denominated in US Dollars and had £10.930m of commitments outstanding as at 31 March 2024 (£16.053m as at 31 March 2023). This amount is not required to be included in the Pension Fund accounts.

Infrastructure

The Fund made an initial commitment of £106m to the London Collective Investment Vehicle's Infrastructure Fund on 31 October 2019 with an additional commitment of £76m being agreed during 2023/24. At 31 March 2024, the commitment outstanding was £98m (£37m outstanding at 31 March 2023).

Note 24 Events after the reporting period

The Fund has carried out a review and can confirm there were no significant events occurring after the reporting period that require disclosure in these accounts.

7
Glossary and Contacts

Glossary of terms

Accrual

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses Re-measurement of Net Defined Benefit Liability

The Actuary assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- Events have not coincided with the actuarial assumptions made for the last valuation;
- The actuarial assumptions have changed.

Agency Services

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Appointed Auditors

The Public Sector Audit Appointments appoints external auditors to every Local Authority, from one of the major firms of registered auditors. Mazars are the Council’s appointed Auditor.

Associate Companies

This is an entity other than a subsidiary or joint venture in which the reporting Authority has a participating interest and over who’s operating and financial policies the reporting Authority is able to exercise significant influence.

Authorised Limit

This represents the legislative limit on the Council’s external debt to finance capital expenditure under the Local Government Act 2003.

Balances

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of Property, Plant and Equipment as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

This is expenditure on the acquisition of property, plant and equipment, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Charges

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Community Assets

This is a category of Property, Plant and Equipment that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingency

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

This is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Dedicated Schools Grant

A specific grant for the funding of schools and which is ring-fenced to the Schools Budget.

Deferred Capital Income

This consists mainly of income due from former tenants who have purchased their homes and taken out mortgages with the Council.

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of Property, Plant and Equipment.

De-recognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

Amounts set aside for a specific purpose to meet future commitments or potential liabilities, for which it is not appropriate to establish provisions.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of a fixed asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

A category of Property, Plant and Equipment which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future.

Materiality

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to an Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Private Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Revaluation Reserve

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Revenue Expenditure

Spending on day-to-day items, including salaries and wages, premises costs and supplies and services.

Transfer Payments

Benefits paid over to tenants and homeowners towards rent and council tax which is then reimbursed by central government.

Trust Funds

These are funds administered by the Council on behalf of charitable organisations and/or specific organisations.

Abbreviations

AVC
Additional Voluntary Contributions

BSF
Building Schools for the Future

BVCA
British Venture Capital Association

CCG
Clinical Commissioning Group

CFR
Capital Financing Requirement

CGRA
Capital Grants Received in Advance

CIPFA
Chartered Institute of Public Finance and Accountancy

CPFA
Chartered Public Finance Accountant

CPI
Consumer Price Index

DLUHC
Department for Levelling Up, Housing and Communities

DMO
Debt Management Office

DRC
Depreciated replacement cost

DSG
Dedicated Schools Grant

DWP
Department of Work and Pensions (Central Government)

EUV
Existing Use Value

FMV
Fair Market Value

FTE
Full Time Equivalent

GLA
Greater London Authority

HMRC
His Majesty's Revenue & Customs

HRA
Housing Revenue Account

IAS
International Accounting Standards

ICT
Information Communication Technology

IFRIC
International Financial Reporting Interpretations Committee
IFRS

International Financial Reporting Standards

ILEA
Inner London Education Authority

IPSAS
International Public Sector Accounting Standards

ISB
Independent School Bursary Scheme

LEP
Local Education Partnership

LGPS
Local Government Pension Scheme

LOBO
Lender's Option Borrower's Option financial instrument

LPFA
London Pensions Fund Authority

LRB
The former London Residuary Body (residual functions of the Greater London Council and ILEA)

MHCLG
Ministry of Housing Communities and Local Government

MMI
Municipal Mutual Insurance

MRP
Minimum Revenue Provision
NBV
Net Book Value

NNDR
National Non Domestic Rates (Business Rates)

NPV
Net Present Value

NLWA
North London Waste Authority

PFI
Private Finance Initiative

PPE
Property, Plant and Equipment

PWLB
Public Works Loan Board

REFCUS
Revenue Expenditure Funded From Capital Under Statute

RICS
Royal Institution of Chartered Surveyors

SEN
Special Education Needs

SLA
Service Level Agreement

UCL
University College London

NOTE: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the primary statements or other tables due to rounding differences.

Contact Information

This document gives details of London Borough of Camden's Annual Accounts and is available on the Council's website at *camden.gov.uk*.

For further details please contact

Financial Reporting Manager
London Borough of Camden
Corporate Finance
5 Pancras Square
N1C 4AG

statement_of_account@camden.gov.uk

Camden