**THE LONDON BOROUGH OF CAMDEN**

At a meeting of the **PENSION COMMITTEE** held on **MONDAY, 2ND DECEMBER, 2024** at 6.30 pm in Council Chamber, Town Hall, Judd Street, London WC1H 9JE

**MEMBERS OF THE COMMITTEE PRESENT**

Councillors Rishi Madlani (Chair), Heather Johnson (Vice-Chair), Anna Burrage, Matthew Kirk, James Slater and Shiva Tiwari

**MEMBERS OF THE COMMITTEE ABSENT**

Councillors Sylvia McNamara and Jenny Mulholland

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

**MINUTES**

## 1. APOLOGIES

Apologies for absence were received from Councillors Sylvia McNamara and Jenny Muholland.

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

There were none.

## 3. DEPUTATIONS (IF ANY)

There were none.

## 4. ANNOUNCEMENTS (IF ANY)

**Webcasting**

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

**Welcome**

Councillor Madlani welcomed to the meeting Nick Davidson (Independent Adviser) and colleague of Karen Shackleton. Also welcomed to the meeting was Councillor George Jabbour from North Yorkshire and Chair of the Joint Committee of Border to Coast Pensions Partnership who was attending the meeting as an observer.

**Tabled Paper**

The Committee was informed of the circulated Tabled Paper which corrected information in the main agenda relating to Table 1 in the Performance report on pages 20 and 21 and the Community Admission Bodies (Small Admitted Bodies) on page 63 of the Private Agenda.

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

There were none.

## 6. MINUTES

The minutes of the meeting 9th September 2024 were agreed subject to amending the highlighted word, from **‘**Harris to Baillie Gifford**’,** the last bullet point on page 12 of the agenda

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

## 7. PERFORMANCE REPORT

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

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

Karen Shackleton, Independent Advisor, introduced her colleague Nick Davidson who provided the Committee with a brief background of his career.

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

Responding to Committee members questions, the Treasury and Pension Fund Manager, Independent Investment Adviser and Silvia Knott-Martin, London CIV Client Relations Manager provided the following information:

- In relation to whether the carbon intensity target for the Baillie Gifford Diversified Growth Fund was being diluted, the strategy was Paris aligned which was expected to align with the Pension Fund’s climate goals.
- Baillie Gifford was using its restricted carbon budget with competing stocks to contribute to the transition to a green economy in areas such as wind turbines as well as Ryanair’s appetite to invest in innovative new sustainable fuels. The stocks may come out of the portfolio over time if they were unable to keep pace with science-based government targets.
- It was about challenging the Fund Manager, making sure what they were saying was backed up by evidence and then monitoring them also expressing concerns about having such a holding in the portfolio.

Commenting further on the issue of Baillie Gifford meeting the Pension Fund’s carbon reduction targets, the Chair remarked that in the meetings he had with them, disappointment and concerns had been expressed about the declining commitment to achieving the Paris aligned targets. He had been partly reassured by the Head of the Environment Social and Governance (ESG) Team although the dialogue would need to be continued with them, including the requirement for them to keep the Committee informed of the public commitments they could keep.

In relation to a question about the assumption that had led to a 151% funding level, the Treasury and Pension Fund Manager advised that the main changes were the discount rate, noting that at the last triennial valuation the discount rate used was 4.4%, and as of September this had gone up to 6.3% which was a reason for the reduction in liabilities.

There had also been pension increases which in March 2022 was 2.7% and as of September 2024 was 2.3% which also contributed to a reduction in liabilities.

Commenting further on liabilities and the interest rate, the Independent Adviser informed the Committee that it would not be advisable to reduce contributions too quickly until it was clear where long term interest rates were going to settle.

Responding to a follow up question about how confident the Committee should be with figures quoted, the Treasury and Pension Fund Manager commented that Hyman Robert's the Council's Actuary had considered this in detail before taking this assumption forward

Answering a further question about whether the report reflected or considered any recent budget decisions or election results, Nick Davidson noted that as expected there had been a degree of volatility around the election results but it was difficult at this stage to predict what market reaction to this would be.

The following information was provided in response to further questions:

- In terms of alternative options available to the Pension Fund, with any private market investment, there was the option of not committing to the next fund.

- There was the indirect real estate pooling option, whereby the Pension Fund Account could get access through the separate managed account to Global Real Estate which would provide access to real estate secondary opportunities.

- In terms of engagement with Pimco and CQS, London CIV was doing a lot of work behind the scenes understanding better the carbon footprint of these investments as well as looking at how to collaborate to improve the way carbon intensity of the portfolios was being measured.

- At the end of October London CIV finalised implementing some enhancements with all the PIMCO strategies to improve carbon metrics. The new data points should show over time carbon intensity being reduced.

- It was expected that with the PIMCO portion after quarter 4 the enhancement in the reporting of the data points in the climate metric would start to show up on the City West Portfolio.

- London CIV aimed to roll out in 2025 the new investment reports, with the aim being that the Committee would see improvements on the coverage as well as the enhancement of the PIMCO segment of the portfolio.

- The Independent Adviser commented that the challenge required was finding out how engagement was conducted with companies to reduce their carbon emissions.

- In terms of the drivers for the LGIM Future World out performance, it was most likely due to the differences in the sector weightings particularly with oil and energy. However, the Independent Adviser agreed to check this information and report back on whether this was just a quarter blip.
  **Action By: Independent Adviser**

- In terms of how often discount rates were changed, this was around the triennial valuation which happened every 3 years and was carried out by the Council's Actuary who went into the details of the Pension Fund to provide a long-term perspective of what the liabilities were and advise what the funding level should be.

- All the different funds had different risk profiles and different strategies with different recovery periods. If they had deficits, they had different contribution rates with tailored strategies.

- Managers went through cycles of out performance and under performance, however what was required was that over the long term the active managers would be delivering strong good performance.

- In assessing a company's performance, you would be looking at the organisation and agreed terms of reference, changes to the investment process, performance including looking at whether this was the expected performance in this particular market cycle. All these factors would determine or lead to a conclusion whether the mandate should be terminated or not. This was considered normally at the 3-year review.

A Committee member suggested that it would be useful to look at Councils with similar sized Local Government Pension Schemes (LGPS) and strategies to Camden to benchmark and compare performance with.

The Chair commented that in light of Baillie Gifford withdrawing from the Net Zero Asset Managers Alliance the Committee would like to scrutinise all its other fund managers on their membership and what they were doing proactively on climate issues.

He asked that for the next meeting it would be useful to get confirmation from the Fund Managers on who was in the Net Zero Asset Managers Alliance, the memberships they were actively involved in on sustainability and climate and to show how they actively contributed to those.

He asked that the information be provided in the form of a table to track which managers were proactive on this issue and that the information should be sought by writing formally to all the managers for confirmation.
**Action By: Treasury Fund Manager**

**RESOLVED –**

THAT the contents of the report be noted.

## 8. EMPLOYER REGISTER

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

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

She highlighted that the admitted bodies made up 3.78% of the fund and there had been no material changes since the report to Committee in December 2023.

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

The Chair also provided some brief background to members on the reason the report was brought to Committee, informing members that due to one of the admitted bodies going bankrupt about 10 years ago and a further body having financial difficulties it was used to monitor admitted bodies. He explained that since IDEA had moved out of the Pension Fund, admitted bodies now made up a much smaller percentage and was a less material part of the overall fund.

However, as Charities and third sector organisations were in a precarious situation admitted bodies would continue to be monitored and reported on regularly.

**RESOLVED –**

THAT the contents of the report were noted.

## 9. ENGAGEMENT REPORT

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

The Treasury and Pension Fund Manager informed the Committee that this was a regular report presented to Committee Members updating them with engagement activity undertaken by the Fund and on its behalf by the Local Authority Pension Fund Forum (LAPFF) to promote good governance and behaviour in environmental and social issues.

She highlighted that:

- Table 1 listed the top areas of focus for this quarter with climate change taking top priority with over 100 engagements and LAPFF sending close to 100 correspondences and holding close to 20 meetings.
- They were mostly in the dialogue phase with 9% activity approximately ranging from small improvements to satisfactory response.
- With regards to response to correspondence which members queried at the last Committee meeting in September, LAPFF representatives had confirmed that there was a lag between when the engagement took place and the outcomes were seen.
- For every outcome of positive change that did take place it was not uncommon to see a lot of correspondence being sent out and meetings taking place.
- However, the number of engagements and correspondence highlighted the level of activity and push from LAPFF on behalf of the Pension Funds.
- A notable successful outcome of LAPFF's engagement with companies included engagement with Volkswagen resulting in it deciding to exit its Xinjiang operations due to allegations of the use of forced labour.
- In recent meetings key areas of engagement had been around pushing companies to adopt more strict human rights and environmental protocols and improving risk management strategies. Decarbonisation, aviation and the cement industry were other areas.
- Corporate Governance issues relating to facilitating shareholder resolutions in UK firms and recent Financial Conduct Authority (FCA) changes were discussed,
- Table 3.1 provided details of future meeting dates with the LAPFF Annual Conference occurring later this week and the business meeting on 29th January 2025.
- Table 3 showed the companies the Pension Fund had invested in and that LAPPF had been engaging with including the topic of and current state of engagement.
- There were discussions going on with LAPFF to provide a bit more detail around these engagements including the evolution of engagements with these companies so the effectiveness could be seen.

The Vice Chair of the Committee as a member of the LAPFF Executive was invited to update the Committee on LAPFF engagement, she commented that discussion around conflict affected and high-risk areas (CAHRA's) was interesting with people keen to do this, with the need for work along these lines to continue. The details in the letters the LAPFF sent to companies was not published, so if there was an interest in the dialogue it was this information that needed to be seen.

The Chair reminded members that anyone could attend the business meetings which were all public and if they were interested in getting involved in any particular engagements they had the opportunity to do this.

A Committee member noted that it would be interesting to receive an update from LAPFF on the Financial Times Stock Exchange (FTSE) 100 index companies strengthening oversight of their corporate governance as well as the outcome of CAHRA discussions.

The member also commented that making the wording clearer in the report about the results or outcome of engagement should be considered. As he was of the view that the conclusion from the layman's perspective was that engagement was not effective based on the amount of correspondence sent and responses received.

In response to Committee members questions officers provided the following information:

The Pensions & Investment Research Consultants (PIRC) report in the Committee agenda was over 300 pages, there was nothing notable to report, officers had provided the Committee with similar information that was provided in last year's agenda papers.

The Chair noted that he would be meeting with PIRC representatives in January 2025 which the Committee would be presented with an update at the meeting in March.

With regards to the disparity between sent correspondence, responses and the way this was reflected in the reports this would be discussed with LAPFF as a means of properly reflecting that activity in future reports.

With reference to the company domiciles table on page 69 of the agenda in relation to the portion of the Pension Fund invested in British companies and what more could be done to exert influence with companies outside the UK, the Treasury and Pension Fund Manager agreed to take this away to discuss with the LAPFF.
**Action By: Treasury and Pension Fund Manager**

The Chair updated the Committee on the Gaza and Occupied territories conflict and deputation relating to divestment from companies selling arms to Israel. He commented that the Council's legal team were looking at international law, current legal standing as well as advice from other organisations that had taken legal advice. This should be available at the next Pension Committee meeting in March 2025.

The London CIV as well as the LAPFF also had a discussion at their last shareholder meeting around the occupied territory and conflict zones and set up a sustainable working group which was likely to be on their meeting agenda next week.

The issues discussed were around how different borrowers had different levels of engagement, and thought on this, and understanding what others were doing and what the London CIV in engagement with a number of other managers were doing.

He also commented that at full Council he had informed the public that when the Pension Committee reviewed its investment beliefs consideration would be given to including peace and justice as one of the priority Sustainable Development Goals, and that this should be considered then. Advising that this should be made to fit in with the Committee's natural sequence to ensure it could make the most impact by being clear and transparent with Fund Managers.

The Chair also noted that there were lots of issues relating to pensions going on at the moment that members and the Committee needed to think through and rather than entering into letter writing campaigns, Committee members would be updated with latest developments at Committee meetings and if members had any questions from residents and members of the public attending member surgeries, to let him and officers know so that they could keep track of the queries and respond.

A Committee member commented that it would be helpful when a summary of what other boroughs were doing in response to the divestment issue was available, this could be circulated ahead of the meeting to inform and verify claims that were being made.
**Action By Treasury and Pension Fund Manager/ Principal Legal Officer**

**RESOLVED -**

THAT the contents of the report be noted.

## 10. LONDON COLLECTIVE INVESTMENT VEHICLE PROGRESS

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

The Treasury and Pension Fund Manager introduced the report outlining the developments and progress of the LCIV as at 30th September in creating sub funds for the spectrum of asset classes, on-boarding of assets and development of the CIV staff resource.

Client Relations Manager (LCIV) Silvia Knot-Martin and Head of Real Estate (LCIV) Christopher Osbourne were in attendance and provided the following information to the Committee.

- LCIV during 2024 launched 6 funds and 1 service.
- There were 4 public market funds, 3 funds were bought and maintained credit funds which were a full suite which offered short duration, long duration and all maturities funds.
- £1.4 billion was raised from 9 investors
- Inside Investment Management was selected to manage these funds.
- At the end of October, the Global Active Value Funds had £195 million from 2 investors with a third investor adding £150 million in January.

- Wellington Investment Management were selected to manage this fund.

- The four funds' strategies were committed to a decarbonisation pathway to achieve net zero by 2040.

- Accountability and transparency were embedded in the design of the Global Equity Value Fund to ensure that 60% of the current weighted average carbon intensity was reduced by 20-30% and achieved net zero by 2050.

- To achieve these targets would involve monitoring the achievements of the existing targets to ensure that ambition translated into action.

- There would be continued engagement to encourage additional investing companies to develop a transition plan, stewardship escalation options with voting and writing letters and portfolio construction considerations, if investing companies did not progress as envisaged.

- The Global Activity Fund would have certain exclusions to thermal coal mining, some coal power generation and controversial weapons.

- With the 2 launched private market funds, the Nature Based Solutions Fund would primarily invest in sustainable forestry and agriculture and exposed to Australia, New Zealand and the USA. 20% in the UK and Europe and up to 30% in emerging markets in Chile and Brazil.

- The Private Debt Fund would invest primarily in mid-market direct lending in Europe and North America.

- The service launched was focused on LCIV's partner funds which had separate managed accounts such as Camden with CBRE Investment Management.

- The pooling solution involved transferring the investment management of real estate separate managed accounts across to LCIV.

- It still qualified as under pooled management so it still offered partner funds the opportunity to advance their pooling agenda.

- This represented a governance change for Camden rather than an investment change.

- The UK separate managed account would continue to be actively managed by CBRE IM.

- Through on boarding partner funds on to this real estate pooling service opportunities had been identified to deliver cost saving particularly at the underlying manager level.

- The transition to the service was intended to cause minimum disruption to partner funds.

Responding to Committee members questions, the LCIV Client Relations Manager and Head of Real Estate provided the following information:

- In relation to whether affordable housing would be geographically spread across the whole of the UK, currently the exposure through CBRE Uk Affordable Housing Fund and through the Octopus Affordable Housing Fund there was a bias towards the Southeast of the UK though this was in the early stages of the fund. As more capital was drawn and more investments made it was expected that the geographical diversification would broaden.

- CBREIM would continue to manage the portfolio, it was a governance change rather than an investment change.

- The CBRE would have full discretion to continue managing Camden's separate managed account in the UK and would continue to manage this in line with their best ideas in the UK although there was the option for Camden to change the geographical direction and tweak it.

- In the separate managed account, there was the option of allocating globally which would provide more diversification across the globe and open up more investment opportunities.

The Independent Adviser advised that as the partner funds matured and paid back there was an opportunity to request that CBRE's mandate be extended to include global property.

Answering further questions the Head of Real Estate LCIV provide the following responses:

- CBRE already accessed the Global Alpha Fund which was a very diversified well performing global fund. If Camden was to access the Global Real Estate Fund it would also gain access to a new secondary fund recently launched by CBRE.

- In relation to the difference between a service and a fund, in providing the service Camden would continue to be the legal owner of the units and LCIV would continue to manage Camden's separate managed accounts. It involved treating the separate managed account individually and doing what was best for the separate managed account over time.

- The service would offer more than a fund would offer because it allowed for flexibility of not being forced to sell or incur transaction costs on liquid investments. Allowing for maximisation of the value of holdings without incurring costs.

- It was about consolidating Camden's CBRE holdings and getting a saving on fees.

- The global solution was intended to invest in CBRE Global Alpha Fund and the CBRE Real Estate Partners Fund.

- The Committee requested that a follow up session be arranged with LCIV partners to discuss in further detail and understand the new indirect Real Estate Pooling service being offered.
  **Action By: Treasury Pension Fund Manager / Committee members / LCIV partners**

The Treasury and Pension Fund Manager provided a short update on the Sustainability Working Group informing the Committee that the LCIV were drafting an addendum to their stewardship policy to address investment concerns in conflict zones.

The proposals were to use detailed data sets to identify companies with potential human rights controversies. The policy framework would follow international law and allow partner funds the flexibility to either include or exclude specific investments based on their preferences. Their engagement with companies would be on the basis of an explain or divest method to support long term investment.

The LCIV Client Relations Manager informed the Committee of a survey led by Damon Cook one of the Pension Leaders which would be circulated to all Partner Funds in due course. The survey was canvassing views on how to address human rights issues in conflict zones.

The Chair also advised that the LAPFF had sent out a survey to seek views on engagement topics members were interested in. The survey was due to close next week. For those members that had not received the survey they could ask officers to recirculate.

**RESOLVED –**

THAT the contents of the report were noted.

## 11. BUSINESS PLAN

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

The Interim Head of Treasury and Financial Services informed the Committee that:

- The Carbon Footprint report was scheduled to be considered at the March meeting, in advance of that meeting a training session would be scheduled to discuss and explain the metrics in detail.

- Further to the conversation about the new Service launched by LCIV partners. This could be considered at the March 10th Committee meeting.

- The government had recently launched a consultation the closing date of which was 16th January. Officers were working on responses to the consultation and were looking to circulate information and material to members from briefings officers had attended. As the next meeting of the Committee was not until March information and the dialogue would be circulated to members via email.

- The areas to be discussed and consulted on were making LGPS fit for the future, transparency of local investments and governance. The Chair informed the Committee that he would request officers to circulate the information to members, however as the consultation closing date was 16th January before the next Committee meeting in March, he would request that the Committee delegate signing off the Camden response to officers (Executive Director of Corporate Services) in consultation with the chair of the Pension Committee.

In response to a Committee member's query about when a draft response to the consultation would be available the chair advised that it would be by 9th January 2025.

Officers agreed to circulate the draft consultation response to Committee members by 9th January 2025.
**Action By: Interim Head of Treasury and Financial Services / Treasury and Pension Fund Manager**

A member discussed the possibility of having a briefing session to discuss some of the points and issues raised in the consultation document, officers advised that there were some slides put together for officers briefing which explained the issues clearly and could be circulated to Committee members. Officers agreed to circulate these slides to members.
**Action By: Interim Head of Treasury and Financial Services / Treasury and Pension Fund Manager**

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

**RESOLVED –**

THAT the contents of the report be noted.

**12. DATE OF NEXT MEETING**

Noted as 10th March 2025.

**13. ANY OTHER BUSINESS THAT THE CHAIR CONSIDERS URGENT**

There was none.

The meeting ended at 8.39 pm.

**CHAIR**

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**MINUTES END**