

INVESTMENT STRATEGY STATEMENT

LONDON BOROUGH OF CAMDEN PENSION FUND

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 Appendix 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 [June 2023](#). 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. The Fund is diversified across global and UK equities, index-linked gilts, multi-asset credit, infrastructure, property, diversified growth and private equity. The last four asset classes belong to the alternative asset class and are important diversifies 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 [December 2022](#) 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 The Fund's maturity profile and cash flow position are reviewed following each triennial valuation. The Fund remains able to meet benefit payments from contributions and investment income in the short to medium term. This was last reviewed following the triennial valuation in [December 2022](#).

4.6 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.

4.7 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

- 4.8 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:
- 4.9 **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.
- 4.10 **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).
- 4.11 **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.
- 4.12 **Index-linked bonds** are debt instruments mainly issued by Governments. The interest and redemption value are directly linked to a reference price inflation measure.
- 4.13 **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.
- 4.14 **Infrastructure** – investment in long-term physical assets such as energy, transport and utilities, providing inflation-linked cashflows and diversification benefits.
- 4.15 **Affordable Housing** – investment in residential property providing long-term secure income streams, often with inflation-linked characteristics.
- 4.16 **Cash** is mainly deposited with institutions for short periods and attracts interest at market rates.
- 4.17 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
DGFs	Reasonable	3-5	Good
Cash	Variable	0-1	Good

4.18 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.

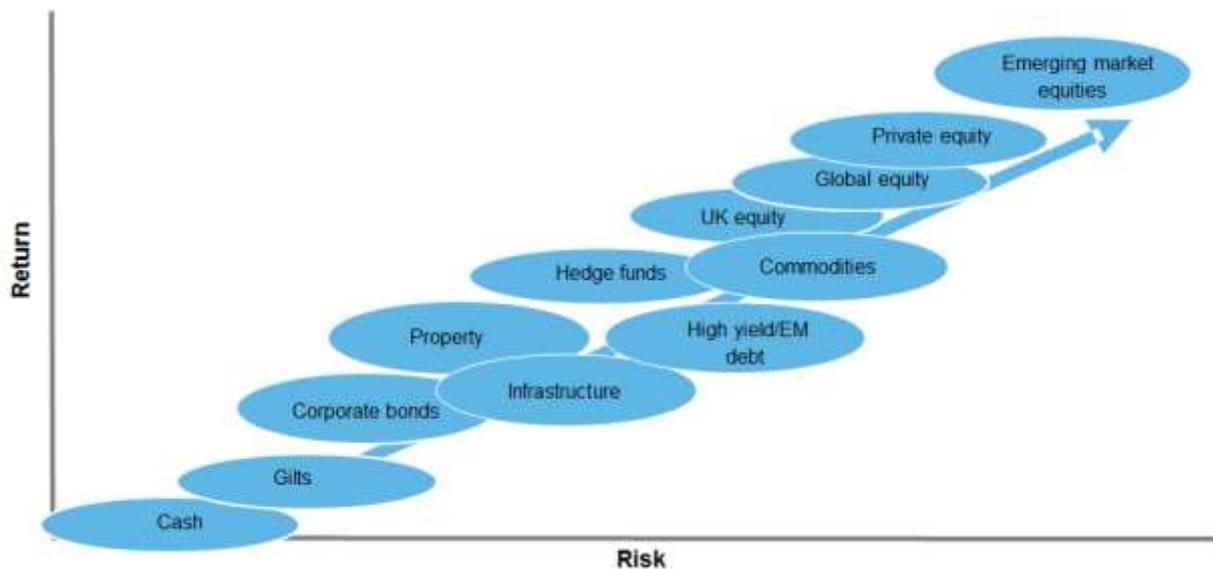
Balance Between Different Kinds of Investment

4.19 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.

4.20 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 rewarded risks within its investment strategy:
- Equity risk – through allocations to global and UK equities.
 - Credit risk – through multi-asset credit investments.
- 5.4 Illiquidity risk – through allocations to property, infrastructure, affordable housing and private equity. 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 [July 2023](#).

6. POOLING AND SHARED SERVICES

- 6.1 The Fund implements its investment strategy primarily through the London Collective Investment Vehicle (LCIV), in accordance with the Government's pooling requirements. Assets are transitioned to LCIV sub-funds where appropriate, subject to strategic fit and value for money considerations.
- 6.2 The Fund formally agreed to join the London Collective Investment Vehicle (CIV) as part of the Government's pooling agenda. The London CIV operates a range of sub-funds covering liquid and private market asset classes.
- 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 the Chair of the Pension Committee 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 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

7.1 The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. 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.

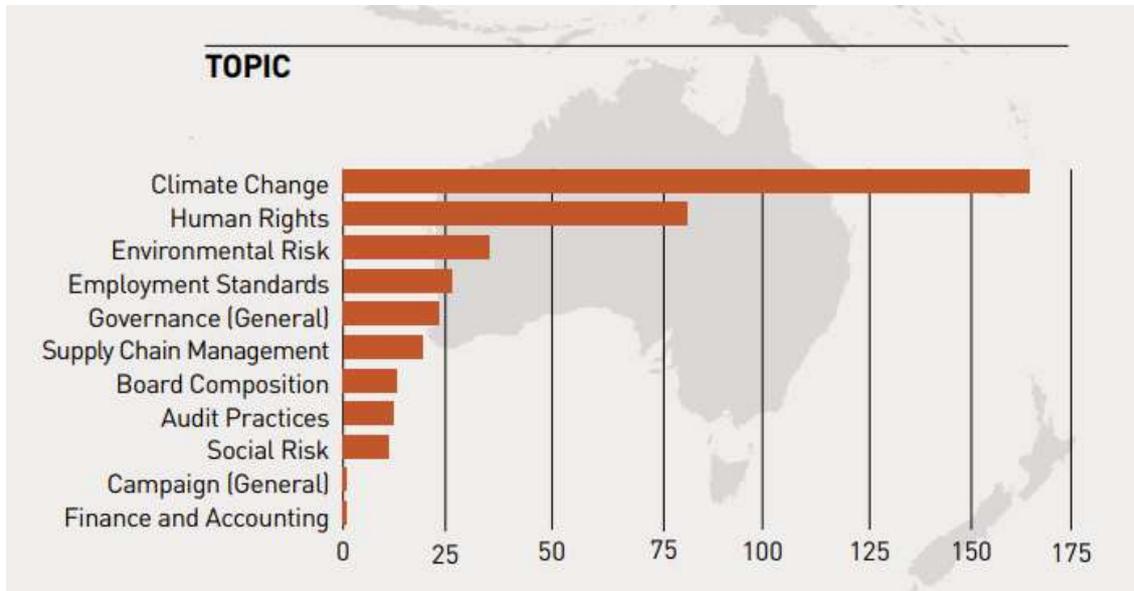
7.2 The Fund believes that 'robust' engagement with companies is a better approach than placing restrictions on particular types of investment. It also believes that companies conforming to high ethical and social standards will produce shareholder returns that are at least comparable to those produced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

7.3 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 long-term investment interests of local authority pension funds by promoting the highest standards of corporate governance, 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.

7.4 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 last year via letters, conference calls or meetings.

LAPFF ENGAGEMENT TOPICS

- 7.5 The 2022 LAPFF Annual Report, summarising activity and highlighting the organisation's achievements can be found via the following link: [LAPFF annual report 2022](#).



8. VOTING RIGHTS AND POLICY

- 8.1 This Fund firmly believes that the long-term investment interests of the Fund are enhanced by the highest standards of corporate governance and corporate responsibility amongst the companies in which we invest. Poor governance can negatively impact shareholder value.
- 8.2 Stewardship aims to promote long term success of companies in order to benefit shareholders too. Stewardship involves monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure and corporate governance. This includes culture and remuneration.
- 8.3 The Fund regards the exercise of voting rights attaching to investments as of great importance. The Fund has appointed Corporate Governance Advisors PIRC to ensure that voting rights are used in the most advantageous way. PIRC are employed to ensure that the Fund's voting policy is enacted for company shares held by the Fund in the UK and overseas. The voting policy has been drawn up in collaboration with advisors PIRC, and is reviewed and agreed annually by the Pension Committee. The last set of voting policies were agreed by the Committee in [March 2023](#).
- 8.4 The Fund has voting policies on a range of issues and votes on a wide range of issues ranging from board elections, capital structures, corporate actions, dividend policies, meeting related matters, donations, remuneration, shareholder resolutions, shareholder rights, and audit issues.
- 8.5 The Fund keeps its approach to the Stewardship Code under review and will include statements on how we implement the seven principles and guidance of the Code, which apply on a "comply or explain" basis.

APPENDIX I - GOVERNANCE AND MANAGEMENT

PENSION FUND RESPONSIBILITIES

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

Pension Committee

The Pension Committee comprises elected Members of the Council in accordance with the Constitution.

The following officers are based across Council offices at 5 Pancras Square, 218 Eversholt Street and the Camden Town Hall, London, WC1H 8NG.

- Executive Director Corporate Services
- Director of Finance
- Head of Treasury & Financial Transaction
- Pension Fund Accountant

Scheme Administrator

Colette Hollands
Pensions Shared Service
Wandsworth Council
Room 70
The Town Hall
Wandsworth High Street
London. SW18 2PU

Legal Advisor

Andrew Maughan, Borough Solicitor

Investment Consultant

Dave Lyons
Aon Hewitt

The Leadenhall Building,
122 Leadenhall Street
London EC3V 4AN

Independent Investment Advisor

Karen Shackleton

AllenbridgeEpic Investment Advisors
Ltd
8 Old Jewry,
London,
EC2R 8DN

Actuary

Douglas Green
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

KPMG LLP
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, six from the Labour Group and two from the Conservative Group. There is a quorum of two members to ensure meetings can function and there are eight substitute members.

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

The responsibilities of the Committee are to:

General

- 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

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 Investment Strategy Statement.
- 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 www.camden.gov.uk/ccm/content/council-and-democracy/decision-making/the-constitution/

Investment Managers

The Fund appoints external investment managers to implement its strategic asset allocation. The number and nature of mandates may change over time in line with the approved investment strategy and pooling arrangements.

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 ISS 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 ISS.

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 ISS.

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 Investment Strategy Statement.
- 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.

ASSET CLASS	Target Allocation %	Basis
GLOBAL EQUITIES		
Baillie Gifford (CIV)	5	Active
Harris	5	Active
Legal & General (CIV)	30	Passive
	<hr/>	40
UK EQUITIES		
Legal & General (CIV)	5	Passive
	<hr/>	5
INDEX-LINKED GILTS		
Legal & General (CIV)	8	Passive
	<hr/>	8
BONDS		
Multi-Asset Credit	15	Active
	<hr/>	15
PROPERTY		
Infrastructure (Stepstone)	9	Active
Commercial Property (CBRE, Partners)	6	Active
Long-lease Property (Aviva)	5	Active
Affordable Housing	5	Active
	<hr/>	25
DIVERSIFIED GROWTH FUNDS		
Baillie Gifford	5	Active
	<hr/>	5
PRIVATE EQUITY		
HarbourVest	2	Active
	<hr/>	2
TOTAL FUND		<hr/> 100 <hr/>

Asset Allocations with CIV appended are sub funds of the London CIV.

BENCHMARKS AND TARGETS

Performance of investment mandates is monitored quarterly against benchmarks set out in the relevant Investment Management Agreements.

APPENDIX III – KEY RISKS AND CONTROLS

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

Risk	Summary of Control Mechanisms
	<p>Some investment in bonds also helps to mitigate this risk.</p> <p>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.</p>
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	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).</p>

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>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.</p>
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	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>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:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3).</p>

Risk	Summary of Control Mechanisms
	For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) 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.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>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.</p>
Time, cost and/or reputational risks associated with any MHCLG 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.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

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.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>

Risk	Summary of Control Mechanisms
<p>Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way</p>	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
<p>Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.</p>	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
<p>An employer ceasing to exist with insufficient funding or adequacy of a bond.</p>	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <p>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3).</p> <p>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</p> <p>Vetting prospective employers before admission.</p> <p>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</p> <p>Requiring new Community Admission Bodies to have a guarantor.</p> <p>Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).</p>