LONDON BOROUGH OF CAMDEN
PENSION FUND ANNUAL REPORT

2012/13

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SECTION 1: SCHEME ADMINISTRATION REPORT

Draft Report of the Chair, Audit & Corporate Governance (Pensions) Sub Committee

The Year under review was the year in which Camden's Pension Fund assets went through the £1 billion mark, the first London Borough to do so. Of course we recognise that the actuarially-estimated liabilities are likely to remain significantly higher than that figure, but nevertheless it represents a symbolic landmark, and I am very grateful to all who made it possible. During the year market volatility continued, as did great sensitivity to statements of intent by Governments and Central Bank authorities, especially the US Federal Reserve, European Central Bank, and Bank of England relating to strategies on quantitative easing.

In this context our Fund has continued to pursue strategies of diversification, seeking investments with less volatility, and less correlation to equities. We had already appointed BlueCrest as our first hedge fund manager, and during the year appointed Brevan Howard, an additional hedge fund manager. We have also appointed Barings to manage a diversified growth fund. During the year under review we also completed our phased withdrawal of investments from an underperforming equities manager. We have now embarked on a search for a new equities manager, and, as a result of continually reviewing all our investment allocations, retendering our bond portfolio. In much of this work we have benefitted greatly from the advice given by investment consultants Aon Hewitt, and also from advice from our independent investment adviser, appointed during the year, Karen Shackleton, as well as, of course, our strong in-house expert team.

As well as monitoring, and decisions aimed at, maximising the returns on our investments, we have been paying increasing attention to scheme liabilities, cash flows, the onset of scheme maturity, and the efficiency of administration of the Camden scheme. We have been working most closely with our actuaries, Hymans Robertson, on the assumptions of the Triennial Valuation, and the modelling and probabilities of differing outcomes, including agreeing in principle to a longer-term stabilisation approach. We monitor closely the trends of active, deferred, and pensioner members, over 18 thousand in total, including some 30 or more admitted bodies. We have played our part in responses to government and local authority associations on the impact of the new LGPS 2014. And our "Shared Service" for pensions administration, with the London Borough of Wandsworth, has already proved a success in delivering excellent value-for-money (and with at least one other Borough applying to join).

For many years Camden has believed in engagement with the corporate sector in which we invest, in order to improve governance, practices, and therefore ultimately shareholder value for our fund. We have our own voting guidelines, implemented and with advice from Manifest, our corporate governance advisers. And we have continued to be active members of the Local Authority Pension Funds Forum (LAPFF), of which I am currently an Executive Member. The spring 2012 season of company AGMs was dubbed the "shareholder spring", and I was pleased the Sub Committee backed me in playing my part, voting in person at some company AGMs and explaining the position on TV, radio and in other media. Spring 2013 was perhaps less dramatic, but saw much behind the scenes engagement, some of which I was personally involved in, some other LAPFF Executive members, often at Company Chairman level, where I believe we as the ultimate beneficiary owners are achieving real results.

Finally, I'd like to thank all colleagues in this increasingly complex world of Camden's pension fund governance, which I believe is amongst the best in the country. Thanks to all the cross-party, and very collegiate elected members of the Sub Committee, especially those who have undertaken demanding roles in tendering and appointment panels, and especially to Cllr Phil Jones, Vice-Chair, now departing to concentrate on his expanded Cabinet role, and also the Trade Union observers. Thanks to all our external advisers, actuaries, and the increasingly numerous investment managers of our growing £1 billion+ portfolio. And grateful thanks to Mike O'Donnell, Marion Kelly (departing now to East Sussex), Nigel Mascarenhas, Peter Taylor, and Mike Bezzi. I think the Council, the admitted bodies, and the more than 18 thousand members are well-served on the governance of this scheme, and look forward to the remainder of the coming year, doubtless with its challenges, to continue that service

Cllr Peter Brayshaw
Chair

Report of Director of Finance

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

The 2012/13 financial year saw a degree of confidence return to the investment markets, following an extended period of uncertainty, and Camden's total Pension Fund assets increased by 13%, to £1.12bn, as set out in the accounts. Equity markets responded well to positive market data, particularly over the final quarter to March 2013, and over the year the FTSE All World benchmark return was +17.1%.

As with any investment, values can go down as well as up, and during the year the investment strategy has evolved to reduce the level of risk inherent in the portfolio. By making a further allocation to Hedge Funds and appointing a Diversified Growth Fund manager, moving away from equities, the investment strategy is targeting a reduced level of risk while maintaining the same expected level of return. The resultant improvement in the risk/return ratio will stand the Fund in better stead over the long term and provide greater protection against market volatility.

While the increase in investments over the year is welcome, due to further reduction in gilt yields there has been a corresponding increase in the value of fund liabilities. Although the formal triennial valuation of the Fund is currently being undertaken, it is anticipated that during the year the funding level will not have improved significantly, and the 2013 valuation is expected to report a funding level below the 76% level reported three years ago, requiring increased contributions from employers.

Mike O'Donnell
Director of Finance

SECTION 2: OVERVIEW

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 2009 and subsequent amendments. It is a final salary scheme 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 Finance Director 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 2012/13 were based was carried out as at 31 March 2010, and applies to the three financial years from 1 April 2011.

From 1 April 2008 the rules of the LGPS Scheme were amended. Previously employees generally contributed to the scheme at a rate of 6% of pensionable pay. Under the current scheme tiered contribution rates apply based on pensionable pay.

The LGPS is a defined benefit "final salary" scheme. The annual pension under the current regulations is based on length of service and usually the final twelve months of pay.

Details are currently being finalised on a new scheme to take effect from 1 April 2014. At this point the scheme will change to a "career average" basis rather than final salary.

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

SECTION 3: MANAGEMENT PERFORMANCE

Scheme Management and Advisers

Officials Responsible for the Fund

Director of Finance

Mike O'Donnell
Town Hall,
Argyle Street,
London WC1H 8NG

Deputy Director of Finance

Marion Kelly (Ali Griffin from Sept 2013)
Town Hall,
Argyle Street,
London WC1H 8NG

Head of Treasury

Nigel Mascarenhas
Town Hall,
Argyle Street,
London WC1H 8NG

Pensions Manager

Mike Bezzi
Town Hall,
Argyle Street,
London WC1H 8NG

Pension Fund Accountant

Peter Taylor
Town Hall,
Argyle Street,
London WC1H 8NG

Scheme Administrators

Pensions Administration Shared Service
Wandsworth Town Hall,
Wandsworth High Street,
London SW18 2PU

Email: pensions@camden.gov.uk
Telephone 0207 974 6058

Legal Advisers

Borough Solicitor
London Borough of Camden
Town Hall,
Judd Street,
London WC1H 9JE

Investment Managers

Aberdeen Asset Managers Ltd
Bow Bells House,
One Bread Lane,
London EC4M 9HH

Barings Asset Management Ltd
155 Bishopsgate,
London EC2M 3XY

Goldman Sachs Asset Management International
Christchurch Court,
10 -15 Newgate Street,
London EC1A 7HD

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

CBRE Collective Investors Ltd
Third Floor,
One New Change,
London EC4M 9AF

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

BlueCrest Capital Management LLP
40 Grosvenor Place,
London SW1X 7AW

Brevan Howard Asset Management LLP
55 Baker Street,
London W1U 8EW

Custodian

J.P. Morgan Europe Ltd
25 Bank Street,
Canary Wharf,
London E14 5JP

AVC Providers

Phoenix Life Ltd
P O Box 2570,
St James House,
27-43 Eastern Road,
Romford,
Essex RM1 3YW

Prudential Assurance Company Ltd
Laurence Pountney Hill
London EC4R OHH

Fund Actuary

Hymans Robertson LLP
20 Waterloo Street,
Glasgow G2 6DB

Performance Measurement

WM Performance Services
525 Ferry Road,
Edinburgh EH5 2AW

Investment Consultant

Aon Hewitt
10 Devonshire Square,
London EC2M 4YP
(from June 2012)

Hymans Robertson LLP
One London Wall,
London EC2Y 5EA
(to June 2012)

Corporate Governance Adviser

Manifest
9 Freebournes Court
Newland Street
Witham
Essex CM8 2BL

Auditor

KPMG LLP
15 Canada Square,
Canary Wharf
London E14 5GL

Risk Management

The Camden Pension Fund has a Funding Strategy Statement 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. As the Fund is currently in the process of delivering the 2013 valuation a new draft of the FSS was agreed in June 2013. This will be finalised with the results of the valuation and formally adopted before March 2014.

The Administering Authority has an active risk management programme in place and presents a Risk Register to the Pensions Sub Committee on an annual basis, and was last reviewed in June 2013. The measures that the Administering Authority has in place to control key risks are summarised under the following headings:

- financial;
- demographic;
- regulatory;
- governance; and
- administrative

More information on risk can be found in the FSS under Appendix C, and Camden's Risk Register is reported in Appendix D of the SIP.

Internal Audit

Internal Audit undertook a comprehensive audit of the pensions administration and investments functions in 2009/10, and undertook a follow up in 2011. A summary of the 2009/10 audit is produced below.

Risks considered:

- Procedures may not have been updated to reflect changes in Pensions Regulations.
- Procedures for pension scheme administration may not be:
    - Formally documented
    - Comprehensive; and
    - Up-to-date.
- Normal employee contributions and additional voluntary contributions may not be correctly calculated, recorded or paid over in accordance with SI 1997/1612 (as amended).
- Inappropriate additional or bonus pension contributions may be made on behalf of employees without adequate authorisation.
- Data entries on the accounting system may not be reconciled regularly to the data from the custodian's pension administration system
- The performance strategy may not be reviewed by the relevant parties and with adequate frequency. Investment performance may not be monitored relative to the growth of the liabilities.

- Long term investment returns may not be maximised within the context of the Council’s risk appetite (as specified in Statement of Investment Principles).
- There may be insufficient oversight and monitoring of the Pension scheme within the Council. For example there may be insufficient expertise within the Council relating to JP Morgan’s systems and reports.
- Pension scheme valuations may not be carried out and reported on a timely basis.

The 2009/10 Internal Audit report stated that the Council can take Substantial Assurance (The 2nd highest assurance level available) that the controls upon which the organisation relies to manage this area are operating effectively.

The 2011 follow up concluded that all recommendations from the 2009/10 audit report had been implemented.

There is a planned audit of Investment Management and Pensions as part of the 2013/14 audit plan.

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.

Camden has obtained the following control reports, the most recent available for each fund manager.

Investment Company	**Report**	**Reporting year to**	**Auditors**
Aberdeen Asset Management Plc	AAF 01/06	30th June 2012	PricewaterhouseCoopers
Barings Asset Management Ltd	AAF 01/06	31st December 2012	KMPG
Legal & General Investment Management Ltd	AAF 01/06	31st December 2012	PricewaterhouseCoopers
Goldman Sachs Asset	SSAE 16	30th September 2012	PricewaterhouseCoopers

Management			
CBRE Collective Investors Ltd	ISAE 3402	30th March 2012	Ernst & Young
Partners Group (UK) Ltd	ISAE 3402	31st December 2012	PricewaterhouseCoopers
BlueCrest Capital Management LLP	ISAE 3402	30th September 2012	Ernst & Young
Brevan Howard Asset Management LLP	ISAE 3402 SSAE 16	31st December 2012	KMPG

(b) Custodian

JP Morgan serves as the Fund custodian. The control report for JP Morgan for the year to 31 March 2013 was prepared by PwC in accordance with Statements on Standards for Attestation Engagements (SSAE) 16, and 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 described fairly the control procedures relating to the control objectives;
- The control procedures were suitably designed such that there is 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 obtain reasonable, but not absolute, assurance that the control objectives were achieved in the period.

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ADMINISTRATION PERFORMANCE MANAGEMENT

Camden constantly monitors the performance of the administration team, who pay out Pension Fund benefits, against targets using a computerised workflow management system. The results achieved in 2012/13 are set out in the table below.

Work Area	Target (working days)	No. of Cases 2011/2012	Within Target 2011/2012
Turn Round Correspondence	10	517	82%
Calculate Actual Retirement Benefits	5	296	85%
Calculate Estimated Retirement Benefits	10	362	91%
Pay Retiring Allowance	5	260	76%
Calculate Death Benefits	5	196	75%
Pay Death Grant	5	13	62%
Process Refunds	10	11	55%
Calculate Transfer In	10	148	66%
Calculate Transfer Out: Local Government	15	71	75%
Calculate Transfer Out: Non Local Government	15	52	52%
Pay Transfer Out	12	38	63%

The creation of the Camden and Wandsworth Pensions Shared Service, with its attendant disruption to established procedures, office relocation, and migration to a new software platform (Altair), has had a negative impact on performance in 2012/13. Performance should improve in 2013/14 as the Shared Service becomes more established.

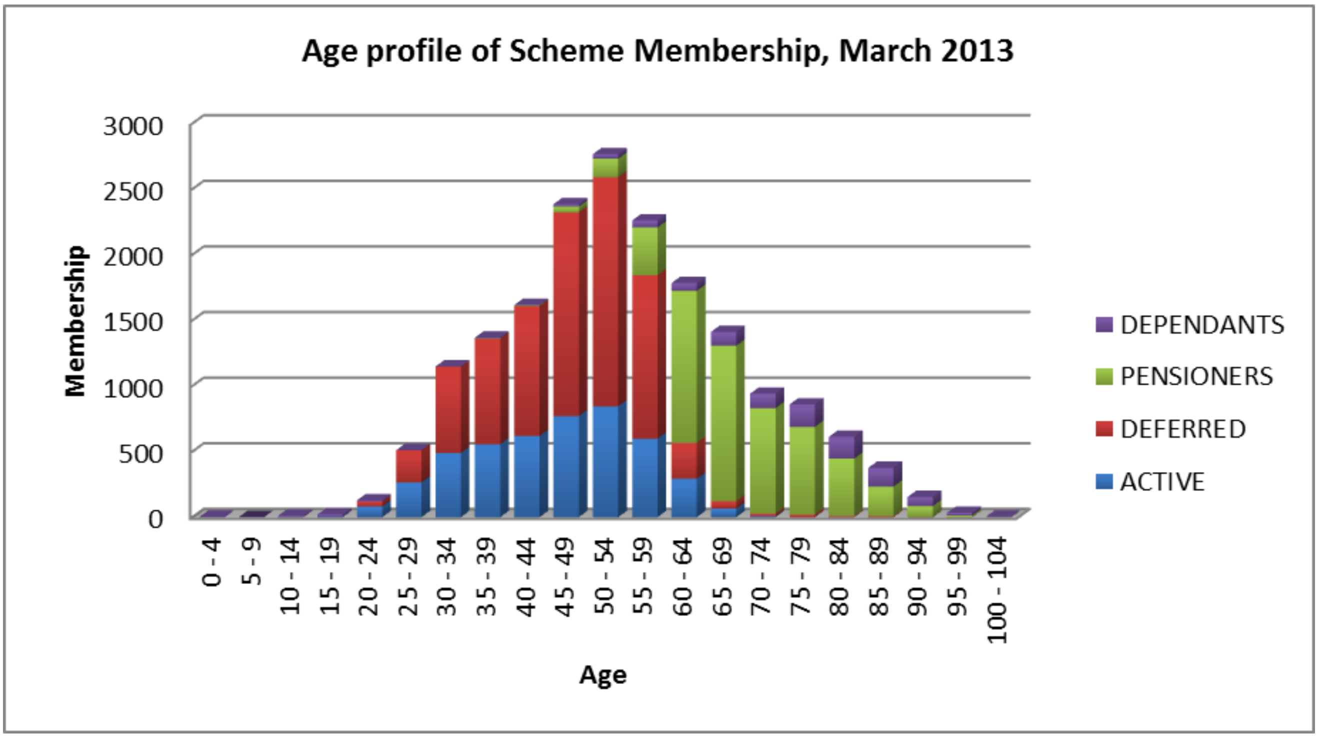
Cost of Service	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Cost per member	£30.82	£33.32	£28.23	£28.96	£34.33
Staff member ratio	1:2239	1:2356	1:2273	1:2458	1:2488

The costs are those purely attributable to the cost of administration (staff costs, systems and overheads £555K, and Actuaries costs £77K). These have been higher in 2012/13 as the Fund has incurred transition and upgrade costs in setting up the Shared Service, and increased actuarial costs leading into the triennial valuation work. Investment costs are excluded from these figures.

On a like for like basis (stripping out costs not linked to the core pensions admin service and one off costs relating to the system upgrade) the 2011/12 unit cost per member was £26.11 and the 2012/13 cost was £23.94.

There are 7.4 full time equivalent members of staff in the Pensions Shared Service allocated to Camden.

Membership of the Fund	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Actives	5,545	5,514	5,343	4,786	4,648
Deferreds	6,784	6,856	7,049	7,385	7,623
Pensioners	5,579	5,603	5,809	6,018	6,139
Total	**17,908**	**17,973**	**18,201**	**18,189**	**18,410**



Pensioners with Enhanced Benefits

Year Ending 31st March	**Ill Health**	**Early Retirement / Voluntary Redundancy**	**Total**
2013	914	1,184	2,098
2012	939	1,236	2,175
2011	946	1,269	2,215
2010	930	1,300	2,230
2009	990	1,361	2,351

Related Party Transactions

The Council is required to disclose details of its financial relationship with related third parties. This has been defined as where the related party has, or is perceived to have, real influence over any transaction between the parties.

In respect of the Pension Fund, the Council recognises that the following bodies have a related party relationship with the Pension Fund:-

- The Council
- The Fund Managers
- The Global Custodian

The following admitted bodies:

- Abbey Road Housing Co-op
- Agar Grove Housing Co-op
- Age UK Camden
- British Association for Adoption & Fostering
- Broadland Guarding Services Ltd (ceased 13/11/2012)
- Busy Bee Cleaning Ltd
- Camden Arts Centre
- Camden Citizens Advice Bureau
- Camden Community Nurseries Ltd
- Camden Volunteer Bureau
- Care UK Ltd
- Caterlink Ltd
- Chalk Farm Housing Group
- Circle Care and Support Ltd
- CIS Security Ltd
- Coram Family
- Creative Support Ltd
- Fresh CM (ceased 1/11/2012)
- Greenwich Leisure Ltd
- Hays Recruitment Ltd
- Holborn Community Association
- Home Connections
- Housing 21 (ceased 7/11/2012)
- Land Data CIC
- Local Government Employers (ceased 31/3/2013)
- Local Government Improvement & Development (now IDeA)
- Local Government Information Unit
- Mears Care Ltd
- MITIE PFI
- National Association for Local Councils
- NSL Ltd
- Outward (ceased 2/1/2013)
- Plan Personnel (now Plan Care)
- RM Education
- S&K Car Park Management Ltd

- Voluntary Action Camden

The following scheduled bodies:

- Children’s Hospital School
- St Luke’s School
- UCL Academy

The following payroll providers:

- Strictly Education
- Teesside University
- Education Personnel Management Ltd

SECTION 4: INVESTMENT POLICY & PERFORMANCE REPORT

REPORT OF THE PERFORMANCE MEASURER

Investment Review to 31 March 2013

In the fiscal year 2012/13 the average Local Authority fund delivered an investment return of 13.8%. The Camden fund grew by 12.9%, which was behind the Local Authority average but ahead of the strategic benchmark return of 12.7%.

The last 12 months saw equity markets recover strongly, many reaching all-time highs, as risk assets returned to favour.

In the UK, the FTSE All Share index returned 17% for the fiscal year, with only Oil and Gas and Basic Materials failing to generate positive double-digit performance. Active managers enjoyed a successful year in this area, with the average fund outperforming the index for the third consecutive year. The Camden fund has a passive strategy within this region so although the return was in line with the FTSE All Share index during the period this was below the local authority average return of 18.0%.

Overseas markets also performed strongly - the FTSE World index (ex UK) returned 17% in aggregate. Regionally North America, Europe and the lesser Pacific markets provided the best returns at just under 20%. Japan delivered 14%, with emerging markets lagging at 7%. The Camden global equity return of 17.5% was ahead of the benchmark return and ranked in the 44th percentile of the local authority universe.

Bond performance was more muted but with investors favouring risk assets, corporate bonds with a return of 13% outperformed government issues (the broad gilt index returned 5%). The Camden return of 8.6% was well ahead of the benchmark return of 7.5% during the period however was below the local authority average return of 10.6%. Index-Linked gilts are managed on a passive basis, with the return of 11.8% in line with the FTSE A Index-linked gilts (over 5 years) index. This compared with the local authority average return of 11.2%.

Returns from property remained subdued at 3%, at a level below the income generated, this suggest a continued downward pressure on valuations. Camden return of 3.1% was above the IPD All Balanced Property index return of 2.7% and the local authority average return of 2.8%.

The Camden fund was 0.8% behind of the Local Authority average in the fiscal year to end March 2013 and ranked in the 72nd percentile. This was due mainly to the below average returns in UK equities, UK bonds and alternatives.

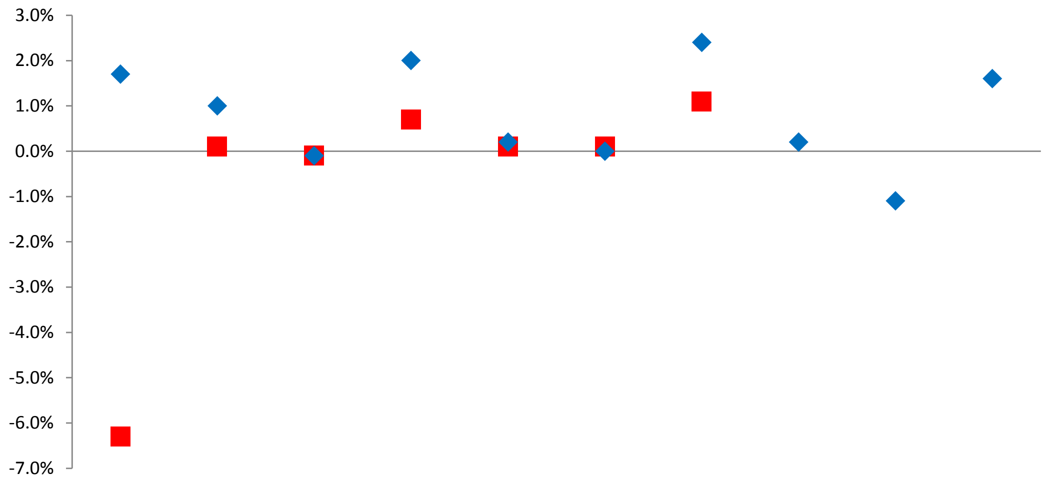
Long Term

Over the longer term, equities are expected to deliver better growth than bonds. This is an investment reward for accepting the higher degree of risk inherent in holding equities. Local Authority pension funds are long-term investors and as such expect to access these higher returns. Considering the Fund’s membership profile and the long-term investment return required, the Fund has held a higher commitment to equities than the average Local Authority Fund, although by the end of the year the Fund is now in line with the average allocation. This is due to the recent increased commitment to Alternatives.

For the ten years to the end of March, the Fund's return of 9.5% per annum was marginally ahead of the Local Authority average return of 9.4% per annum and 0.2% per annum above the strategic benchmark return of 9.3% per annum. Inflation over the ten years was 3.3% per annum as measured by the Retail Prices Index and 3.4% per annum as measured by the National Average Weekly Earnings Index.

Over the last three years the Fund's return of 8.5% per annum compared with the strategic benchmark return of 8.2% per annum and is 0.4% per annum above the Local Authority average of 8.1% per annum. Over this period retail price index inflation was 4.1% per annum while average earnings grew at 0.9% per annum.

Manager Performance Relative to Benchmark

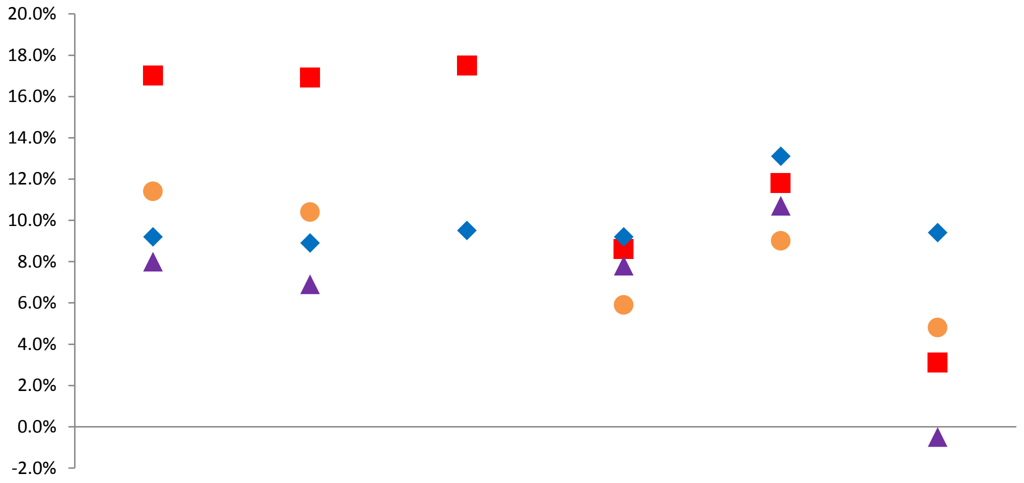


	Partner Group	CBRE	Legal and General (Global)	Aberdeen Asset Management	Legal and General (UK Equity)	Legal and General (Index Linked)	Goldman Sachs	Blue Crest	Brevan Howard	Barings
1 Year	-6.3%	0.1%	-0.1%	0.7%	0.1%	0.1%	1.1%			
Since Inception	1.7%	1.0%	-0.1%	2.0%	0.2%	0.0%	2.4%	0.2%	-1.1%	1.6%

The manager performance relative to benchmark shows how each manager has performed against the industry average (benchmark) for that class of investment. The Partners Group benchmark against which it has been measured is a 15% per annum absolute return rather than an industry average, in accordance with the terms of the investment, due to the lack of such an average for the Global Property sector.

Each manager will also have a performance target. For passive managers the target will be to meet the benchmark. For active managers the target will be to outperform the benchmark by a certain margin (or there may be an absolute return target, which is not based on a benchmark).

Performance of Asset Classes in Absolute Terms



	Total Equity	UK Equity	Global Pooled	Total Bonds	UK Index-Linked	Property
1 Year	17.0%	16.9%	17.5%	8.6%	11.8%	3.1%
3 Years	9.2%	8.9%	9.5%	9.2%	13.1%	9.4%
5 Years	8.0%	6.9%		7.8%	10.7%	-0.5%
10 Years	11.4%	10.4%		5.9%	9.0%	4.8%

Report prepared by Lynn Coventry, The WM Company.
Information on the average Local Authority comes from the WM survey of local authority pension funds.

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 2013 and their holdings expressed as a percentage of total Fund investments.

Fund Manager	**Mandate**	**Value at 31 March 2013 (£m)**	**% of Fund**
Aberdeen	Equities - Global	325.25	28.9%
Legal & General	Equities - Global	44.91	4.0%
Legal & General	Equities - UK	311.45	27.7%
Legal & General	Index Linked Gilts	27.01	2.4%
Goldman Sachs	Fixed Bonds	122.44	10.9%
CBRE	Property - UK	50.25	4.5%
Partners Group	Property - Global	30.45	2.7%
BlueCrest	Fund of Hedge Funds	53.08	4.7%
Brevan Howard	Fund of Hedge Funds	51.85	4.6%
Barings	Diversified Growth Fund	100.49	8.9%
Others	Cash Holdings etc	6.47	0.6%
Total		**1,123.64**	**100.00%**

The sum of £6.47 million classed as Others includes cash held at the Custodian of £5.67 million, cash at the Council of £0.09 million, residual direct holdings in Venture Capital and Gilts of £0.05m and a net debtor position of £0.65m.

The various performance figures for the fund are shown in the Pension Fund Accounts starting on page 31.

The Fund's 10 Largest Holdings as at 31 March 2013

Name	Value at 31 March 2013 (£m)	% of Fund
Legal & General UK Equity Index pooled fund	311.45	27.72%
Goldman Sachs Sterling Bond pooled fund	122.44	10.90%
Baring Dynamic Asset Allocation Fund	100.49	8.94%
BlueCrest AllBlue Fund of Hedge Funds	53.08	4.72%
Brevan Howard Multi Strategy Fund of Hedge Funds	51.85	4.61%
Partners Group Secondary Real Estate SICAR	30.45	2.71%
Legal & General Index-Linked Gilt pooled fund	27.01	2.40%
Legal & General North America pooled fund	22.44	2.00%
Roche	14.29	1.27%
Vodafone Group	12.42	1.11%

Top 20 Equity exposures as at 31 March 2013 (including pooled funds)

Company	Value at 31 March 2013 (£m)	% of Fund
Royal Dutch Shell	31.90	2.84%
Vodafone	27.64	2.46%
HSBC	27.52	2.45%
British American Tobacco	22.63	2.01%
Standard Chartered	15.60	1.39%
Roche	14.52	1.29%
BP	14.21	1.26%
GlaxoSmithKline	12.76	1.14%
Taiwan Semiconductor	12.39	1.10%
Johnson & Johnson	12.35	1.10%
Philip Morris	12.19	1.08%
Novartis	11.03	0.98%
Centrica	10.24	0.91%
Zurich Insurance Group	9.35	0.83%
Nestle	9.26	0.82%
CVS Caremark	9.10	0.81%
Pepsico	8.78	0.78%
Tenaris	8.53	0.76%
Samsung Electronics	8.52	0.76%
Diageo	8.51	0.76%

Note that equity exposures above include the proportional exposure from pooled funds including the £311m Legal & General UK Equity Index pooled fund and the £100m Baring Dynamic Asset Allocation Fund.

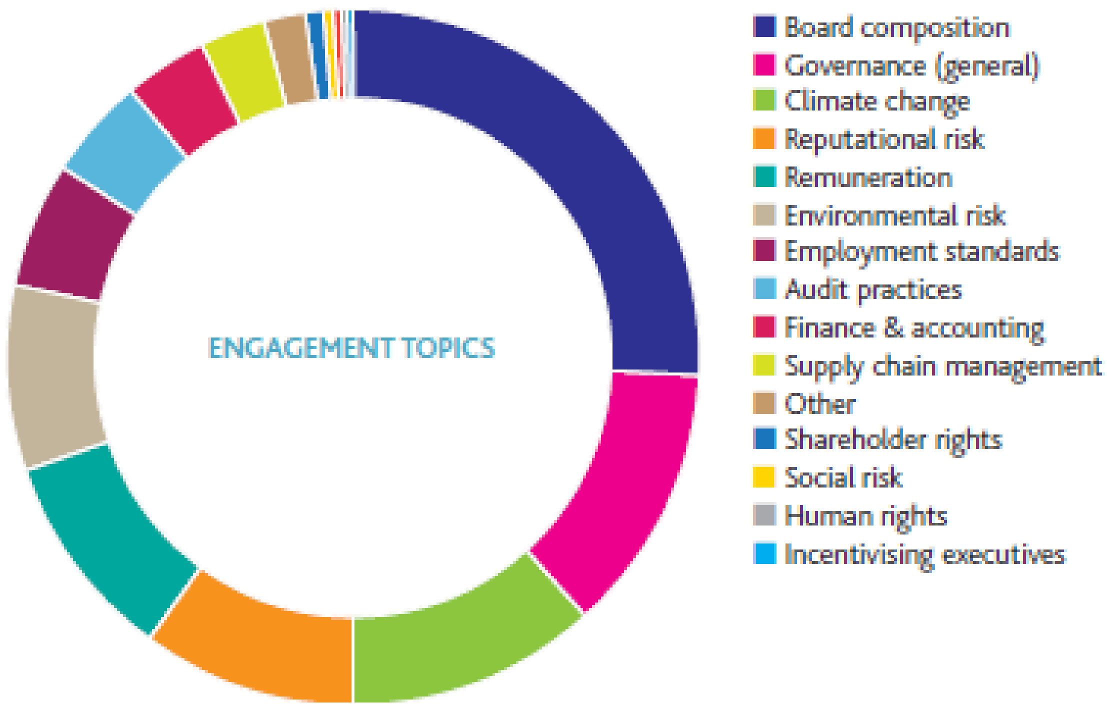
Corporate Engagement and Socially Responsible Investment

The Pension Fund is bound by law in respect of Socially Responsible Investment (SRI) policy. As stated in the Statement of Investment Principles, 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 established in 1991 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 over £115 billion.

The LAPFF media profile continues to grow year on year, and now almost half of the Forum's media coverage comes from outside the UK. 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.



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 Manifest 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 Manifest 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 equity funds held by the Camden.

In the year 2012/13 voting took place as follows:

Resolution Type		
For	3,917	65%
Against	1,540	25%
Abstain	210	4%
Withhold	365	6%
Total	6,032	

The Camden Pension Fund voted shares at 400 separate companies during the year. Of the 6,032 votes cast by Manifest about two thirds of these went along with the recommended decision from each firm's internal management.

Further Information

There are more details on how the Fund engages in responsible investment in Section 11 of the Statement of Investment Principles attached as **Appendix 3** of this report.

Review of Administration

Arrangements for Scheme Member & Pensioner Administration

The Local Government Pension Scheme regulations requires 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.

LB Camden is both an administering and employing authority. The administering authority role (excluding investments) is carried out by the Pensions Administration Shared Service, set up between Camden and Wandsworth Councils. 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 Pensions Administration Shared Service.

There are a number of Scheme employers within the Camden fund comprising of 31 admission bodies, one free school, one academy and one scheduled body not including LB Camden 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 Pensions Team do not have direct access to contractual information relating to the scheme members. The Pensions Team has to rely on the schools, admitted bodies and scheduled bodies to provide information on starters, leavers and amendments. Approximately one in six scheme members work in this group. High levels of the Shared Service’s resources are taken by this group of staff as they are more onerous to administer than staff on Camden’s payroll system. An objective in the coming year will be to work with these bodies to improve the quality and timeliness of this data.

Administration of the pension payments is undertaken by the Shared Service and the payroll is run on the Council’s ORACLE system. The service provides for 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 Pensions Manager. A notification of the right to access IDRP is included with any notification of decisions made by the Pensions Team such as benefit notices. Experience indicates members are not inclined to accept the decision of the first stage and are generally referred to Stage 2. This stage is heard by the Borough Solicitor. In 2012/13 there were no IDRP complaints at either Stage 1 or 2.

Key Uses of Technology

The Pensions Team has 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 information system ORACLE. There are monthly interfaces from Oracle to the Council's pensions administration system AXISe. 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 Pensions Team has to rely on outside bodies to provide the data.

The Pensions Team has the document imaging module of the AXISe system meaning that documents received are imaged and linked to the individual AXISe record so that they are instantly available to caseworkers with no need to retain and find paper files when needed which also fits in well with the Council's minimising paper policy.

There is also a range of Pensions information available on the internet. Details of this information, and where it can be found, are contained within **Appendix 4**: Camden Pension Fund Communications Policy Statement on page 133.

Scheme Administration Costs

The cost of administration in 2012/13, including actuarial fees, was £631,929; this is equivalent to £34.33 per member. Costs have been higher in 2012/13 as the Fund has incurred transition and upgrade costs in setting up the Shared Service, and increased actuarial costs leading into the triennial valuation work (for comparison with prior years, please see page 12 of this report).

Mike Bezzi
Pensions Manager

SECTION 5: ACTUARIAL REPORT ON FUND FOR THE YEAR ENDED 31 MARCH 2010

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 London Borough of Camden Pension Fund (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 completed as at 31 March 2010, in accordance with regulation 77(1) of the Local Government Pension Scheme Regulations 1997. The Actuary is currently compiling the 2013 valuation, which will be reported in November 2013.

Actuarial Position

1. Rates of contribution paid by the participating Employers during 2012/13 corresponded to those stipulated in the actuarial valuation carried out as at 31 March 2010. The rates of contribution from the March 2010 valuation will cover the three financial years up to 2013/14.

2. The valuation as at 31 March 2010 indicated that the funding ratio had deteriorated slightly since the previous valuation, with the value of the Fund's assets (£877 million) representing 76% of the assessed liabilities. The deterioration in the funding ratio since 31 March 2007 can be attributed in the main to lower than expected investment returns.

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 2011 was as set out below:

- 16.8% of pensionable pay to meet the liabilities arising from service accruing after the valuation date by current employees.

- 11.3% of pensionable pay to recover the fund deficit over a period of 17 ½ years from 1 April 2011.

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 I April 2011 to 31 March 2014 are set out in a certificate dated 5 March 2011 which is appended to our report of the same date on the actuarial valuation.

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:

Discount rate for periods

In service

	Admitted Bodies	6.1% per annum
	Scheduled Bodies	6.1% per annum

Left service

	Admitted Bodies	6.1% per annum
	Scheduled Bodies	6.1% per annum

Short term investment returns until 1 April 2014

Equities	6.5% per annum
Bonds	4.5% per annum
Rate of general pay increases	5.3% per annum
Rate of increases to pensions in payment	3.3% per annum

7. This report has been prepared using information from the Actuarial Valuation as at 31 March 2010 supplied by the Fund’s actuaries Hymans Robertson LLP.

SECTION 6: GOVERNANCE COMPLIANCE STATEMENT

Introduction

The Local Government Pension Scheme (Administration) Regulations 2008 require administering authorities to prepare and maintain a separate written statement on governance policy on pension fund matters. The department for Communities and Local Government (DCLG) 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 **Appendix 1** of this report. Additional compliance information is included in the Statement of Investment Principles in **Appendix 3**.

Governance Structure

The London Borough of Camden, in its role as administering authority, has executive responsibility for the Fund. The Audit and Corporate Governance (Pensions) Sub-Committee consider all matters relating to the management and administration of the Fund.

PENSIONS SUB-COMMITTEE

Terms of Reference

1. To administer all matters concerning the Council's pension investments in accordance with the law and Council policy.

2. To establish a strategy for disposition of the pension investment portfolio.

3. To determine the delegation of powers of management of the fund and to set boundaries for the manager's discretion.

4. 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.

5. To consider policy matters in relation to the pension scheme and the Council's early retirement policy.

6. To determine applications, from other bodies, for membership of the Council's pension scheme where the Director of Finance is minded to refuse

Membership and Voting Rights of the Sub-Committee

The membership of the Sub-Committee will consist of:

- 8 members (5 from the majority party and 3 from the two largest minority parties) – one of these members will chair the Sub-Committee
- Officers of the Council (non-voting)
- Representatives of the unions (non-voting)
- A representative of the retired members (non-voting)

Decision Making Protocol

- The Sub-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 Sub-Committee must be present.
- Sub-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 Audit and Corporate Governance (Pensions) Sub-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.

Pensions Sub-Committee – 2012/13

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

Attendance at Pension Sub-Committee Meetings	19 June 2012	11 Sept 2012	27 Nov 2012	26 Feb 2013
Cllr Peter Brayshaw (Chair)	YES	YES	YES	YES
Cllr Phil Jones (Vice Chair)	YES	YES	YES	
Cllr Paul Braithwaite	YES	YES	YES	YES
Cllr Roger Freeman	YES	YES	YES	YES
Cllr John Bryant		YES		YES
Cllr Adam Harrison	YES	YES	YES	YES
Cllr Georgia Gould	YES	YES	YES	YES
Cllr Abdul Quadir	YES	YES	YES	YES
Ron Shillingford (Retired Member Observer)	YES			
Kiran Patel (Unison Observer)		YES		
Vino Sangarapillai (Unison Observer)	YES			YES
Mike O'Donnell (Director of Finance)	YES	YES	YES	YES
Marion Kelly (Deputy Director of Finance)	YES	YES		YES
Nigel Mascarenhas (Head of Treasury)	YES	YES	YES	YES

Training received by Pensions Sub-Committee – 2012/13

The training needs of Members are covered at the quarterly Pensions Sub-Committee meetings and biannual 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.

Sub Committee Meetings

June 2012

Presentation from investment managers Goldman Sachs on their investment performance, strategic positioning and market outlook.

A report from the Director of Finance and presentation from Investment Consultant on the investment strategy.

A report from the Director of Finance and presentation from the Actuary on fund maturity.

September 2012

Presentation from investment managers Aberdeen on their investment performance, strategic positioning and market outlook.

Presentation from WM Company detailing the performance of the Fund over the year to 31 March 2012, as well as looking at longer term performance.

November 2012

Presentations from investment managers CBRE and Partners Group on their investment performance, strategic positioning and market outlook

A report from the Director of Finance and presentation from the Actuary on scheme liabilities, and further modelling of fund maturity.

February 2013

Presentations from investment managers BlueCrest and Brevan Howard on their investment performance and processes, and market outlook.

Presentations from Corporate Governance advisors Manifest reviewing the proxy voting for the previous year, and setting the voting policy for the coming year.

Officer Arranged Training Sessions

June 2012	Review of asset classes and investment strategy (Aon Hewitt) Review of engagement activity and work of the LAPFF (LAPFF)
November 2012	Review of actuarial work and valuation of liabilities (Hymans) Review of Socially Responsible Investment (Aberdeen & Manifest)
	Diversified Growth Funds training session (Aon Hewitt)

Investment Seminars and Conferences attended by Members

Public Service Pensions: Infrastructure Investment Seminar
Local Government Chronicle: Investment Summit
Hermes: Annual Investment Conference
Local Government Pensions Investment Annual Conference
Goldman Sachs UK Annual Conference
LAPFF Annual Conference
Goldman Sachs Key Themes Seminar
CIPFA LGPS Actuarial Summit
PIRC Annual Corporate Governance Conference

SECTION 7: FUND ACCOUNTS & NET ASSETS STATEMENT

PENSION FUND

Explanatory Foreword

Introduction

The Council is the administrating authority for the Camden Pension Fund. The Fund is governed by the Superannuation Act 1972. The fund is administered in accordance with the following secondary legislation:

– the LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)

– the LGPS (Administration) Regulations 2008 (as amended)

– the LGPS (Management and Investment of Funds) Regulations 2009

The Accounts have been prepared in accordance with the 2012/13 Code of Practice on Local Authority Accounting in the United Kingdom, issued by CIPFA, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

All employees can become contributors on appointment with Camden or a scheduled or admitted body. The Fund's income is derived from employees, contributions from employing authorities and income from investments.

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

Fund Management

The day-to-day management of the Fund investments is carried out by the professional fund managers. As at 31 March 2013 there were 8 managers investing on behalf of the Fund:

Aberdeen Asset Managers Ltd
Goldman Sachs Asset Management
Legal & General Investment Management Ltd
CB Richard Ellis Collective Investors Ltd
Partners Group Real Estate SICAR[1]
BlueCrest Capital Management (UK) LLP
Brevan Howard Asset Management LLP
Baring Asset Management Ltd

A ninth manager, Fidelity Investments Ltd, was also active in 2012/13 with the Fund disinvesting during the year. There also remains accrued income with two other previous fund managers Schroder Investment Management Ltd and UBS Global Asset Management (UK) Ltd which will be transferred across to current fund managers once the cash is realised.

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[1] Société d'Investissement à Capital Risque (SICaR) – Luxembourg based special purpose investment vehicle

Each manager operates within mandated investment management agreements and targets originally determined by the Council's Audit and Corporate Governance (Pensions) Sub-Committee. There are a small number of assets that are held directly by the Council, which are managed under the delegation of the Director of Finance.

Overall investment strategy is the responsibility of the Audit and Corporate Governance (Pensions) Sub-Committee, which consists of eight councillors who receive advice from the Director of Finance and the Borough Solicitor, as well as the fund managers and the following professional consultants:
Hymans Robertson LLP (Actuarial & Benefit Services)
AON Hewitt (Investment Consultancy, from June 2012)
Karen Shackleton (Independent Investment Advisor, from November 2012)
Manifest (Corporate Governance Services)

Trade Union representatives, admitted bodies and retired members are also invited to attend the Sub Committee as observers. Sub Committee meetings are held on a quarterly basis. The details of the Sub Committee meetings, including agendas, minutes and regular reports on the Fund's performance, can be found through the Camden website:

http://democracy.camden.gov.uk/ieListMeetings.aspx?CommitteeId=180

The market value of the assets (including cash & income receivable) held by the Fund Managers, the Custodian and the Council as at 31 March 2013 is as follows:

2011/12			2012/13	
£000	**%**	**Fund Managers**	**£000**	**%**
275,831	28%	Aberdeen Asset Managers Ltd	325,253	29%
0	0%	Baring Asset Management Ltd	100,487	9%
0	0%	BlueCrest Capital Management (UK) LLP	53,081	5%
0	0%	Brevan Howard Asset Management LLP	51,852	4%
49,858	5%	CB Richard Ellis Collective Investors Ltd	50,247	4%
145,527	15%	Fidelity International	174	0%
112,707	11%	Goldman Sachs Asset Management	122,439	11%
389,723	39%	Legal & General Investment Management Ltd	383,363	34%
21,667	2%	Partners Group Real Estate SICAR	30,447	3%
444	0%	Schroder Investment Management Ltd	503	0%
324	0%	UBS Global Asset Management (UK) Ltd	363	0%
1,579	0%	JPM Custodian Cash Account	5,671	1%
(3,299)	0%	Council	(244)	0%
994,361	**100%**		**1,123,636**	**100%**

The negative position shown on the Council assets is due to outstanding net creditors from invoices on the 31st March.

Actuarial Valuations

The Fund is subject to actuarial valuation every three years. The actuary is required to specify the employer's rate of contribution to the Fund necessary to ensure that present and future commitments can be met. The last completed actuarial valuation of the Fund was carried out as at 31 March 2010. The Fund is currently undergoing its 2013 valuation, the results of which will take effect from 1 April 2014.

The market value of the Fund's assets at the 2010 valuation date was £877m. The actuarial value of the Fund's accrued liabilities, allowing for future pay increases, was £1.154bn; therefore there was a shortfall of £277m (24%).

The employers' contribution rates were calculated using the projected unit actuarial method and the main actuarial assumptions as follows:

CPI Price Inflation	**3.3%** per annum
Pay increases *	**5.3%** per annum
Gilt-based discount rate	**4.5%** per annum
Funding basis discount rate	**6.1%** per annum

* Pay increases were assumed to be 1% p.a. for 2010/11 and 2011/12, reverting to 5.3% p.a. thereafter.

Assets were valued at the discounted value of future income assuming a 1.6% per annum average growth on income reinvested, known as the asset outperformance adjustment. This assumes that dividend income would be re-invested in the FT All-Share Index, and would share in the long-term growth in capital value of equities listed in that index.

At the prior actuarial valuation on 31 March 2007 the assets were valued as sufficient to meet 80% of the liabilities. The employer's contribution rate from 2008/09 to 2010/11 was calculated as 23.3% of pensionable pay.

The recommended rate of employer's contributions following the 31 March 2010 valuation, with the asset valuation meeting only 76% of the liabilities, was calculated as 28.1% of pensionable pay. This is the average employer contribution rate required for the three years starting in 2011/12. The Council agreed a contribution strategy with a cap of 1% on increases to its Employer Contribution, following agreement with the Fund's actuary, meaning that in 2012/13 the contribution rate from the Administering Authority was 25.3%.

Fund Portfolio and Diversification

The Regulations require that the Members of the Audit & Corporate Governance (Pensions) Sub Committee and Fund Managers should pay regard to the need to diversify investments and also to the suitability of particular investments. The Fund's Statement of Investment Principals and Funding Strategy Statement can be found within the Annual Report on the Pension Fund website:

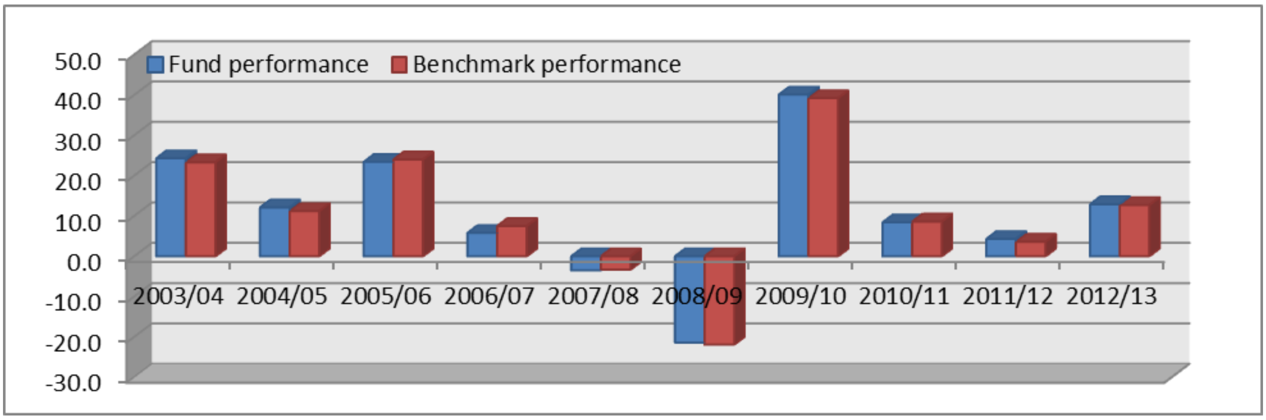
http://www.camden.gov.uk/ccm/content/council-and-democracy/publications-and-finances/pensions/camdens-pension-fund

Scheduled Bodies

The Children's Hospital School, St Luke's School and UCL Academy are the only scheduled bodies which made contributions to the Fund in 2012/13.

Returns

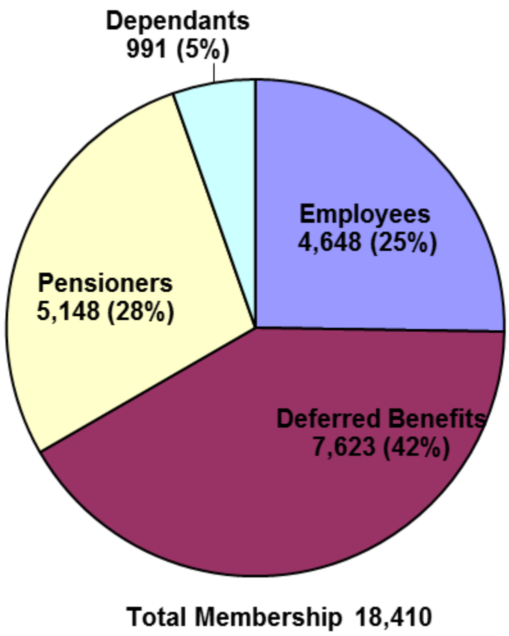
The overall value of the Fund has risen by 171% during the last ten years. The diagram below, based on figures prepared by the WM Company, provides a comparison between the performance of Camden's Fund and that of the average of other participating funds, including company pensions, for each year over this period. It shows the time-weighted return on investments for each calendar year.



Since 1 January 2006 Camden has had a specific benchmark. The comparison is therefore based against three years WM average and seven years of the specific benchmark, which is based on the strategic asset allocation.

Membership

Total membership of the Fund at 31 March 2013 was 18,410 (18,189 in 2012). Within the totals shown in the pie chart below are 315 employees, 825 deferreds, 568 pensioners and 63 dependants attributable to admitted bodies and scheduled bodies.



	31-Mar-12	31-Mar-13
Employees	4,786	4,648
Deferred Benefits	7,385	7,623
Pensioners	5,021	5,148
Dependents	997	991
	18,189	**18,410**

Pension Fund Account
for the year ended 31 March 2013

In compiling the 2012/13 Statement of Accounts the London Borough of Camden are using investment data from the custodian, JP Morgan.

2011/12 £000		Notes	**2012/13 £000**
	Contributions receivable:		
39,831	From Employers	3	38,192
10,224	From Members	3	9,549
1,618	Pension Strain	3,4	944
51,673			**48,685**
	Transfers in from other pension funds:		
6,896	Transfers in (individual)		**4,581**
	Benefits payable:		
(36,056)	Retirement pensions	3	(39,267)
(12,169)	Commutation of pensions and lump sum retirement benefits	3	(8,707)
(1,538)	Lump sum death benefits	3	(607)
(49,763)			**(48,581)**
	Payments to and on account of leavers:		
(6,883)	Transfers out (individual)		(2,834)
(16)	Refund of contributions		(8)
8	Contribution Equivalent Premiums	5	0
(6,891)			**(2,842)**
	Other Payments:		
(603)	Administration costs		(690)
(280)	Other expenditure	7	(306)
(883)			**(996)**
1,032	**Net additions from dealing with members**		**847**
	Returns on investments		
16,611	Investment income	8	14,550
(561)	Tax deducted from investment income		(212)
(2,825)	Management fees	9	(4,733)
24,424	Change in market value of investments	10	118,823
37,648	**Net returns on investments**		**128,428**
38,680	Net increase/(decrease) in the fund		129,275
955,681	Net assets at 1 April 2012		994,361
994,361	**Net assets at 31 March 2013**		**1,123,636**

Pension Fund Net Assets Statement
as at 31 March 2013

31 March 2012 £000		Notes	31 March 2013 £000
	Investments at market value		
	Pooled Investment Vehicles:		
112,707	- Fixed Interest Securities	12,13	122,439
24,195	- Index Linked Securities	12,13	27,009
266,491	- UK Equities	12,13	311,448
117,536	- Overseas Equities	12,13	44,905
0	- Fund of Hedge Funds	12,13	100,487
0	- Diversified Growth Fund	12,13	104,934
520,929			**711,222**
39	Fixed Interest securities - Public Sector		39
61,566	UK Equities		59,493
332,651	Overseas Equities	12,13	263,933
65,111	Property	12,13	75,930
11	Venture Capital	12,13,16	11
14,321	Cash deposits	12,13	10,892
3,082	Investment Income Receivable	12,13	2,410
997,710			**1,123,930**
	Other net assets		
(2,599)	Cash held by Camden	12,13	93
364	Current assets	15	404
(1,114)	Current liabilities	15	(791)
994,361	**Total net assets**		**1,123,636**

Both the 2012 and 2013 investment valuations above are drawn from the custodian reporting system.

The net asset statement includes all assets and liabilities of the fund at 31 March 2013, but excludes long-term liabilities to pay pensions and benefits in future years. The only unlisted securities held are the Venture Capital holdings, which is a legacy investment in run-off**.**

Note 1. Accounting Policies

i) 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. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 2 of these accounts

ii) Investments are shown in the Net Assets Statement at market value. Market valuations are as provided by the Custodian and are based on bid values as at the Net Assets Statement date. Values of 3rd party assets for which the JPM Pricing team cannot source values are priced using the latest accounting reports provided by the investor manager, and if this valuation point differs to year end the Net Asset Value is adjusted for any further drawdown at cost. Prices in foreign currencies are translated at the closing rates of exchange as at 31st March.

iii) 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.

iv) The cost of administration is charged directly to the fund by the Administering Authority, London Borough of Camden.

v) Income due from equities is accounted for on the date stocks are quoted ex-dividend.

vi) Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis.

vii) Income from other investments is accounted for on an accruals basis.

viii) The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profit and losses realised on sales of investments and unrealised changes in market value.

ix) When foreign exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at year end. Income from overseas investments is translated into sterling at an average rate for the period.

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

xi) Normal contributions, both from members and employers, are accounted for in the payroll month to which they relate, at rates as specified in the rates and adjustments certificate. Additional contributions from employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such agreement, when received.

xii) 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.

Note 2. Actuarial Valuation

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the pension fund liabilities every year, on an IAS 19 basis. For 2012/13 Hymans Robertson carried out this analysis, and their reported findings can be found in the accompanying report.

Pension Fund Actuarial Valuation Report

Note 3. Analysis of Contributions and Benefits

2011/12 £000		2012/13 £000
	Contributions receivable	
43,147	Administering Authority	43,148
25	Scheduled Bodies	55
8,501	Admitted Bodies	5,482
51,673		**48,685**
	Benefits payable	
(42,760)	Administering Authority	(41,744)
(6)	Scheduled Bodies	(7)
(6,997)	Admitted Bodies	(6,830)
(49,763)		**(48,581)**

In 2011/12 the Fund received a one-off cessation payment of £1.917m from one of the Admitted Bodies, The Fostering Network.

Note 4. Pension Strain

This is a payment to the Pension Fund from departmental budgets to make up for the funding shortfall following early retirement or ill health retirement.

Note 5. Contributions Equivalent Premiums

This is a payment to the Contributions Agency to reinstate employees into the State Earnings Related Pension Scheme. This applies only to employees who have received a refund of contributions.

Note 6. Related Party Transactions

The Camden Pension Fund is administered by Camden Council, and consequently there is a strong relationship between the council and the pension fund.

In 2012/13 £109k was paid to the council for accountancy services (£116k in 2011/12), and £271k was paid for pensions administration (£475k in 2011/12). A further £189k was paid to Wandsworth council for pensions administration in 2012/13 following the set-up of the Camden-Wandsworth shared administration service from October 2012.

As at 31 March 2013, a cash balance of £93k relating to the Pension Fund was held by the council (£2.599m was owed by the council at 31 March 2012).

There were no other transactions with related parties other than those which are disclosed elsewhere within the accounts.

Note 7. Other Expenditure

Other Expenditure included the following items:

2011/12 £000		**2012/13 £000**
108	Actuarial & Investment Advice	182
32	Audit	19
62	Custodian	53
59	Corporate Governance	35
19	Statistical Services	17
280	**Total**	**306**

Note 8. Pension Fund Investment Income

A detailed breakdown of this figure is shown below:

2011/12 £000		2012/13 £000
1	Fixed interest securities	2
2,851	UK equities	2,516
10,450	Overseas equities	7,753
3,294	Property unit trusts	4,226
15	Interest on cash deposits	53
16,611	**Total income**	**14,550**

Note 9. Management Fees

The fees levied by the Fund Managers were as follows:

2011/12 £000		2012/13 £000
1,107	Aberdeen	1,234
0	Barings	73
0	BlueCrest	1,454
0	Brevan Howard	568
109	CB Richard Ellis	115
667	Fidelity	311
196	Goldman Sachs	213
166	Legal & General	214
580	Partners Group	551
2,825	**Total**	**4,733**

In 2012/13 the Fund appointed new managers Barings, BlueCrest and Brevan Howard, and disinvested from Fidelity. As such the fees reported against these managers in 2012/13 are part-year.

Note 10. Change in Market Value of Investments for the year ended 31 March 2013

	Realised Gain £000	Unrealised Gain £000	Movement 2012/13 £000
Pooled Investment Vehicles:			
- Fixed Interest Securities	0	9,732	9,732
- Index Linked Securities	0	2,815	2,815
- UK Equities	0	44,957	44,957
- Overseas Equities	14,099	(2,111)	11,988
- Fund of Hedge Funds	0	4,933	4,933
- Diversified Growth Fund	0	2,257	2,257
	14,099	**62,583**	**76,682**
Fixed Interest securities - Public Sector	0	0	0
UK Equities	1,848	3,604	5,452
Overseas Equities	22,393	13,315	35,708
Property	(329)	(1,192)	(1,521)
Total Investments	**38,011**	**78,310**	**116,321**
Currency	(230)	7	(223)
Total	**37,781**	**78,317**	**116,098**

Gross up of Investment Manager Fees netted off fund value	2,725
2012/13 Movement on Investments	**118,823**

Note 11. Purchases & Sales

Pension Fund Purchases and Sales by Asset Type for the year ended 31 March 2013:

2011/12 £000		2012/13 £000
	Purchases	
	Pooled Investment Vehicles:	
0	- Fixed Interest Securities	0
0	- Index Linked Securities	0
0	- UK Equities	0
100,754	- Overseas Equities	772
0	- Fund of Hedge Funds	100,000
0	- Diversified Growth Fund	98,231
100,754		**199,003**
0	Fixed Interest securities - Public Sector	0
10,905	UK Equities	7,622
54,379	Overseas Equities	57,289
20,679	Property	13,233
186,717	**Total Purchases**	**277,147**

	Sales	
	Pooled Investment Vehicles:	
0	- Fixed Interest Securities	0
0	- Index Linked Securities	0
0	- UK Equities	0
(22,288)	- Overseas Equities	(85,392)
0	- Fund of Hedge Funds	0
0	- Diversified Growth Fund	0
(22,288)		**(85,392)**
0	Fixed Interest securities - Public Sector	0
(8,635)	UK Equities	(15,147)
(121,937)	Overseas Equities	(161,715)
(16,395)	Property	(893)
(169,255)	**Total Sales**	**(263,147)**

The Fund has held pooled investments in fixed interest securities, index linked securities and UK equities throughout the year without addition or disposal.

Note 12. Pension Fund Analysis of Investments at Market Value

31 March 2012 £000		31 March 2013 £000
	Securities	
39	Government fixed interest UK	39
24,195	Pooled Vehicle - Government index linked UK	27,009
112,707	Pooled Vehicle - Fixed Interest Securities	122,439
136,941		**149,487**
	UK Equities	
61,566	Quoted	59,493
266,491	Pooled Vehicle - UK Equities	311,448
328,057		**370,941**
	Overseas Equities	
7,300	Argentina	8,514
10,582	Australia	5,392
539	Belgium	0
383	Bermuda	0
15,024	Brazil	17,770
14,753	Canada	13,049
318	Cayman Islands	0
4,064	China	2,863
1,147	Denmark	0
7,818	France	3,816
5,049	Germany	0

911	Guernsey, C.I.	0
12,740	Hong Kong	13,019
1,081	Ireland	0
187	Israel	0
8,720	Italy	7,409
29,529	Japan	18,810
240	Luxembourg	0
4,781	Mexico	6,947
2,205	Netherlands	0
2,687	Netherlands Antilles	4,687
94	New Zealand	0
837	Norway	0
59	Papua New Guinea	0
3993	Singapore	3,320
8,074	South Korea	8,312
1,106	Spain	0
12,799	Sweden	15,418
38,266	Switzerland	43,078
11,132	Taiwan	12,273
126,233	USA	79,256
18,499	Pooled Vehicle - Fidelity Emerging Markets	0
99,037	Pooled Vehicle - L&G Global Equity Fund	44,905
450,187		**308,839**
	Property	
43,444	UK Property	45,483
21,667	Global Real Estate SICAR	30,447
65,111		**75,930**
	Hedge Funds	
0	Pooled Vehicles	104,933
0		**104,933**
	Diversified Growth Fund	
0	Pooled Vehicles	100,487
0		**100,487**
	Venture Capital	
11	Midland Growth Fund	11
11		**11**
3,082	Investment Income Receivable	2,410
14,321	Cash Deposits	10,892
(2,599)	Cash at Authority	93
(750)	Net Debtors / Creditors at Authority	(387)
994,361	**Total Asset Value**	**1,123,636**

Note 13. Valuations by Fund Managers

2011/12 £000		2012/13 £000
	Aberdeen Asset Managers Ltd	
50,787	- UK equities	55,900
218,719	- Overseas equities	263,927
4,889	- Cash	4,171
1,436	- Income Receivable	1,255
	Baring Asset Management Ltd	
0	- Pooled investment vehicle	100,487
	BlueCrest Capital Management (UK) LLP	
0	- Pooled investment vehicle	53,081
	Brevan Howard Asset Management LLP	
0	- Pooled investment vehicle	51,852
	CB Richard Ellis Collective Investors Ltd	
0	- UK equities	3,592
5	- Overseas equities	6
19,021	- Pooled investment vehicle	24,748
24,423	- Property unit trusts	20,735
5,756	- Cash	376
653	- Income Receivable	790
	Fidelity International	
10,779	- UK equities	0
113,927	- Overseas equities	0
18,499	- Pooled investment vehicle	0
2,070	- Cash	25
252	- Income Receivable	149
	Goldman Sachs Asset Management	
112,707	- Pooled investment vehicle	122,439
	Legal & General Investment Management	
	Pooled investment vehicles	
24,195	- Index linked securities	27,009
266,491	- UK equities	311,448
99,037	- Overseas Equities	44,905
	Partners Group Real Estate SICAR	
21,667	- Property SICAR	30,447
	Schroder Investment Management Ltd	
15	- Cash	23
429	- Income Receivable	479
	UBS Ltd Fixed interest securities	
13	- Cash	14
311	- Income Receivable	349
	JPM Custodian Account	
1,578	- Cash	5,670
1	- Income Receivable	1

	Council	
39	- Public sector fixed interest securities	39
11	- Venture Capital	11
(2,599)	- Cash	93
(750)	- Net Debtors & Creditors	(387)
994,361	**Total**	**1,123,636**

The public sector fixed interest securities held directly by the Council are valued using the Debt Management Office gilt reference prices from the DMO website as of 31st March.

Note 14. Valuation by Reliability of Information

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 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 where these techniques use inputs that are based significantly on observable market data.

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 following table provides 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.

Values at 31 March 2013	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Assets:				
Cash & Currencies	826	0	0	826
Cash Equivalents	0	10,066	0	10,066
Equities	319,834	0	3,592	323,426
Pooled Funds	0	756,705	30,447	787,152
Receivables	3,082	0	0	3,082
Total Financial Assets	**323,741**	**766,772**	**34,039**	**1,124,552**
Liabilities:				
Payables	(672)	0	0	(672)
Total Financial Liabilities	**(672)**	**0**	**0**	**(672)**
Grand Total	**323,069**	**766,772**	**34,039**	**1,123,880**

Financial assets classed at Level 3 include the property investment held by Partners Group and one of the underlying CBRE property investments.

Values at 31 March 2012	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Assets:				
Cash & Currencies	6,753	0	0	6,753
Cash Equivalents	0	7,568	0	7,568
Equities	394,217	0	0	394,217
Pooled Funds	0	564,373	21,667	586,040
Receivables	4,949	0	0	4,949
Total Financial Assets	**405,919**	**571,941**	**21,667**	**999,527**
Liabilities:				
Payables	(1,867)	0	0	(1,867)
Total Financial Liabilities	**(1,867)**	**0**	**0**	**(1,867)**
Grand Total	**404,052**	**571,941**	**21,667**	**997,660**

Note 15. Analysis of Net Current Assets and Liabilities

2011/12 £000		2012/13 £000
	Assets	
100	Capital Costs receivable	20
264	Admitted Authorities payments receivable	384
364		**404**
	Liabilities	
(940)	Creditors	(577)
(174)	Unpaid Benefits	(215)
(1,114)		**(792)**
(750)	**Net Total**	**(387)**

Note 16. Venture Capital

The venture capital holdings are a legacy investment in The Midland Growth Fund, established in 1985. The fund was set to be wound up by March 2003, although a number of extensions have been agreed to realise the remaining unquoted investment.

The investment was valued at bid price on the 31st March 2013, in accordance with British Venture Capital Association guidelines.

Note 17. Direct Transaction Costs

The amount of direct transaction costs incurred by each Fund Manager was as follows:

2011/12		2012/13
£		£
152,073	Aberdeen	64,572
0	Barings	0
0	BlueCrest	0
0	Brevan Howard	0
33,311	CB Richard Ellis	16,513
207,837	Fidelity	106,240
0	Goldman Sachs	0
78,063	Legal & General	67,466
0	Partners Group	0
471,284	**Total**	**254,790**

Direct transaction costs on purchases and sales are only reported in segregated investment mandates, and above on purchases / sales of units in the L&G pooled equity vehicles. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments within the other pooled investment vehicles.

Note 18. Additional Voluntary Contributions

Additional voluntary contributions are not included in the Pension Fund Accounts in accordance with regulation 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998. The providers of Additional Voluntary Contributions are Phoenix Life Ltd and Prudential Assurance Company Ltd (from 1 April 2009).

Phoenix operates two funds, the deposit fund and the managed fund and employees can contribute to either fund.

Prudential offer eleven funds, with the risk appetite ranging from minimal to higher risk. The employee has the option to choose a combination of up to ten of these funds. Also the employee has the choice to invest in the default fund (with profits) or a lifestyle option, which commences with higher risk investments and is gradually switched to lower risk investments as the employee moves closer to retirement.

The value and transaction summary of the AVC funds are below. It should be noted that the Phoenix Life accounts are produced on a calendar year basis.

Prudential	**2012/13**	**2011/12**
	£	**£**
Value at 1 April	1,017,062	669,980
- Contributions and Transfers Received	414,842	613,439
- Investment Return	69,924	42,411
- Paid Out	(199,220)	(308,768)
Value at 31 March	**1,302,608**	**1,017,062**

Phoenix Life Ltd	**2012**	**2011**
	£	**£**
Value at 1 January	1,025,663	1,163,629
- Contributions and Transfers Received	39,952	54,881
- Investment Return	44,489	(25,966)
- Paid Out	(127,781)	(166,881)
Value at 31 December	**982,322**	**1,025,663**

Note 19. Reconciliation of Investments by Asset Class

	31 March 2012 £000	Purchases £000	Sales £000	Change in Market Value £000	31 March 2013 £000
Pooled Vehicles:					
- Fixed Interest securities	112,707	0	0	9,732	**122,439**
- Index Linked securities	24,195	0	0	2,815	**27,009**
- UK equities	266,491	0	0	44,957	**311,448**
- Overseas equities	117,537	772	(85,392)	11,988	**44,905**
- Fund of Hedge Funds	0	100,000	0	4,933	**104,933**
- Diversified Growth Fund	0	98,231	0	2,257	**100,487**
	520,929	199,003	(85,392)	76,682	**711,223**
Fixed Interest Securities	39	0	0	0	**39**
UK Equities	61,566	7,622	(15,147)	5,451	**59,493**
Overseas Equities	332,651	57,289	(161,715)	35,708	**263,933**
Property	65,111	13,232	(893)	(1,521)	**75,930**
Venture capital	11	0	0	0	**11**
Total Investments	**980,308**	**277,147**	**(263,147)**	**116,321**	**1,110,629**
Cash and net debtors	14,053			(223)	**13,007**
Total	**994,361**			**116,098**	**1,123,636**

	31 March 2011 £000	Purchases £000	Sales £000	Change in Market Value £000	31 March 2012 £000
Pooled Vehicles:					
- Fixed Interest securities	99,286	0	0	13,421	**112,707**
- Index Linked securities	19,975	0	0	4,220	**24,195**
- UK equities	262,533	0	0	3,958	**266,491**
- Overseas equities	32,849	100,754	(22,288)	6,221	**117,536**
	414,643	100,754	(22,288)	27,820	**520,929**
Fixed Interest Securities	33	0	0	6	**39**
UK Equities	60,293	10,905	(8,635)	(997)	**61,566**
Overseas Equities	404,894	54,379	(121,937)	(4,685)	**332,651**
Property	58,389	20,679	(16,395)	2,438	**65,111**
Venture capital	11	0	0	0	**11**
Total Investments	**938,263**	**186,717**	**(169,255)**	**24,582**	**980,307**
Cash and net debtors	17,418			(251)	**14,053**
Total	**955,681**			**24,331**	**994,361**

Note 20. Nature & Extent of Risks Arising From Financial Instruments

Market risk

Market risk is the risk of a loss to the Fund due to fluctuations in the prices of the financial instruments it holds. The level of risk is managed through an acknowledgement of the risks associated with the different asset classes it holds, and by diversification between asset classes to control the level of risk whilst optimising return.

Sensitivity analysis can be carried out for potential price changes based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on funds' asset allocations.

The potential volatilities below (% change) are consistent with a one standard deviation movement in the change in value of the assets over the last three years, as provided by the Fund's statistical analysts WM Company. This can then be applied to the period end asset mix as follows:

Asset Type	Value (£'000)	% Change	Value on Increase (£'000)	Value on Decrease (£'000)
UK Equities	370,952	13.0%	419,287	322,617
Global Equities	308,839	11.7%	345,035	272,643
Total Bonds	122,478	4.6%	128,087	116,869
UK Index Linked	27,009	8.4%	29,264	24,754
Property	75,930	2.8%	78,048	73,812
Alternatives	205,421	4.2%	214,090	196,752
Cash & Equivalents	13,007	0.0%	13,010	13,004
Total Assets*	**1,123,636**	**8.9%***	**1,223,415**	**1,023,857**

*The % change for Total Assets includes the impact of correlation across asset classes. As not all asset classes will increase or decrease together the Value on Increase/Decrease on Total Assets will not total the sum of the values above.

Currency Risk

Currency risk represents the risk that the fair value of 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 £GBP.

To calculate currency risk the currency exchange rate volatility (% change relative to £GBP) of individual currencies is used, as provided by the Fund's statistical analysts WM Company. For pooled assets the benchmark currency exposure is used as proxy, and for individual currencies where volatility analysis is unavailable, the % change of the currency basket as a whole is used.

The following table summarises the Fund's currency exposure based on its holdings of overseas domiciled equities and property as at 31 March 2013.

Currency	Value (£'000)	% Change	Value on Increase (£'000)	Value on Decrease (£'000)
Argentine Peso	8,514	8.6%	9,246	7,782
Australian Dollar	5,392	10.0%	5,929	4,856
Brazilian Real	17,770	11.6%	19,835	15,705
Canadian Dollar	13,049	5.6%	13,780	12,316
Chinese Yuan	2,863	8.2%	3,097	2,629
Danish Krone	3,816	7.7%	4,111	3,521
EURO	12,096	7.8%	13,039	11,153
Hong Kong Dollar	13,019	8.5%	14,131	11,908
Japanese Yen	18,810	11.8%	21,024	16,596
Mexican Peso	6,947	9.3%	7,593	6,300
Singapore Dollar	3,320	5.8%	3,513	3,128
South Korean Won	8,312	7.6%	8,939	7,684
Swedish Krona	15,418	8.1%	16,671	14,164
Swiss Franc	43,079	9.4%	47,111	39,046
Taiwan Dollar	12,273	7.2%	13,152	11,394
US Dollar	79,256	8.7%	86,183	72,329
Global Basket	44,905	5.3%	47,294	42,516
Total O/S Equity*	**308,839**	**5.2%***	**324,838**	**292,839**
O/S Property (€)	30,447	7.8%	32,822	28,072
TOTAL*	**339,286**	**5.2%***	**356,863**	**321,709**

*The Total % currency change includes the impact of correlation across the underlying currencies. As not all currencies will increase or decrease together the Value on Increase/Decrease on Total Assets will not total the sum of the values above.

Credit Risk

Credit risk represents the risk that the counterparty to 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.
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 managers and the custodian, minimises the credit risk that may occur through the failure to settle a transaction.

Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments through periodic reviews of the maturity of the Fund, and monitoring of the cash flows generated from dealing with members.

Single Investment Risk

The following single investments represent more than 5% of the net assets of the scheme, although each of the investments below is a pooled investment vehicle with a large number of underlying assets. None of the underlying assets represent more than 5% of the scheme.

Investment	Value 31/3/13 (£'000)	% of total fund	Value 31/3/12 (£'000)	% of total fund
Legal & General UK Equity Index Fund	311,448	27.7%	266,491	26.8%
Goldman Sachs Sterling Broad Fixed Income Portfolio	122,439	10.9%	345,035	11.3%
Baring Dynamic Asset Allocation Fund	100,487	8.9%	-	-

The Authority is required:

To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs.

To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

To approve the Statement of Accounts.

Independent auditor's report to the members of London Borough of Camden

We have audited the financial statements of the local government pension fund administered by London Borough of Camden for the year ended 31 March 2013 on pages 36 to 55. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Responsible Financial Officer and auditor

The Director of Finance and Responsible Financial Officer is responsible for the preparation of the pension fund financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and for being satisfied that they give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Pension Fund Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Matters on which we are required to report by exception

The Code of Audit Practice for Local Government Bodies 2010 requires us to report to you if:

- the information given in the Pension Fund Annual Report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters relating to the pension fund have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit.

We have nothing to report in respect of these matters

Philip Johnstone
for and on behalf of KPMG LLP, Appointed Auditor
Chartered Accountants
12th Floor
15 Canada Square
London
E14 5GL

27 September 2013

SECTION 8: RESPONSIBILITIES OF THE DIRECTOR OF FINANCE

The Director of Finance 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 Director of Finance 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.

SECTION 9: 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 2011 (for the allocation of contribution rates in 2012/13) is attached as **Appendix 2** on page 70 of this report. An agreement has already been made on a new draft FSS as part of the 2013 triennial valuation, however this will not be completed and take effect until the end of 2013/14.

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.

The authority carries out detailed monitoring of investment performance on a quarterly basis via its Pensions Sub-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 10: STATEMENT OF INVESTMENT PRINCIPLES

The Statement of Investment Principles (SIP) details the policy which controls how a pension fund invests. Local Government Pension Schemes have been required by law to keep an up-to-date Statement of Investment Principles.

The Statement of Investment Principles must cover our policy on matters such as:

- The types of investments held
- The balance between different types of investments
- The expected return on investments
- The extent to which social, ethical or environmental considerations affect investments

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

Implementation of Statement of Investment Principles

- Strategy Review: changes were made to asset allocation during the year following review in June 2012, with appointment of new Hedge Fund and Diversified Growth Fund managers during the year.

- Engagement and Voting policies:
    - Votes are cast by the Corporate Governance advisers (Manifest) through the custodian voting platform.
    - Voting reports are included as part of the quarterly Engagement Report to Pensions Sub Committee, and recorded on the Fund website

- Review of compliance with the six Myner's principles.

The Statement of Investment Principles was last reviewed by the Pensions Sub Committee as part of the 2011/12 Annual Report.

SECTION 11: COMMUNICATIONS POLICY STATEMENT

In December 2010 the pension fund pages went live 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 and forms under a number of headings – active scheme member, deferred member, pensioner, Councillor, Pension Fund Investments and employers

- Updating the pages – two 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 form the Pensions team and all newsletters will in future be 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. We will monitor online activity by obtaining regular updates from the Web Manager.

- 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 **Appendix 4**.

SECTION 12: 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.

https://www.gov.uk/find-lost-pension

The Pensions Advisory Service (TPAS)

TPAS is available to help members and their beneficiaries with any pensions query, or to resolve any difficulties encountered that have not been resolved with the Council. Enquiries should be addressed to:

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB

Tel: 0845 601 2923
www.pensionsadvisoryservice.org.uk

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: 0845 600 7060
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:

11 Belgrave Road
London SW1V 1RB

Tel: 0207 834 9144
www.pensions-ombudsman.org.uk

Department of Communities and Local Government

The LGPS is a statutory pension scheme with regulations laid down by Parliament by the Minister for Communities and Local Government.

The Minister can be contacted by writing to:

Minister for Communities and Local Government
Eland House, Bressenden Place
London SW1E 5DU

Tel: 0303 444 0000
www.gov.uk/government/organisations/department-for-communities-and-local-government

SECTION 13: 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 Management

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.

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 laying down 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

DCLG Department for Communities and Local Government

LGPS Local Government Pension Scheme

SORP Statement of Recommended Practice

APPENDIX 1: GOVERNANCE COMPLIANCE STATEMENT

GOVERNANCE COMPLIANCE STATEMENT

Principle A – Structure **August 2013**

	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 Sub-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 Pension Sub-Committee does not include membership in respect of such independent professional observers, although the Fund has appointed an independent investment advisor and also hears from other industry experts as required on specific topics from time to time.

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 Sub-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 Pensions Sub-Committee that voting rights are not to be conferred on others attending the Pensions Sub-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 Pensions Sub-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. As such there is no training plan, it is up to each member to determine the amount of training needed.

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 does partly comply with Principle F – Meetings (c) - As Admitted Bodies are consulted on matters relating to valuation and contributions. There is no organised forum outside of the Committee arrangements at which admitted bodies are represented. There is however consultation with these bodies on key matters.

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	

Observers (who are not full members of the main committee) do not have access to confidential papers considered by the main committee but 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 Sub-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 and relevant coverage of retired member representation in its newsletter. The Council’s website contains further details of the democratic arrangements applying to the Pension Sub-Committee.

APPENDIX 2: FUNDING STRATEGY STATEMENT

1. Introduction

This is the Funding Strategy Statement (FSS) of the London Borough of Camden Pension Fund ("the Fund"), which is administered by the London Borough of Camden, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers and investment adviser. This version is effective for the three years from 31 March 2011.

1.1. Regulatory Framework

Scheme members' accrued benefits are guaranteed by statute. Members' contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. Employers currently pay the balance of the cost of delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS forms part of a framework which includes:

- the Local Government Pension Scheme Regulations 1997 (regulations 76A and 77 are particularly relevant);
- the Local Government Pension Scheme (Administration) Regulations 2008 (regulations 35 and 36);
- the Rates and Adjustments Certificate, which can be found appended to the Fund actuary's triennial valuation report;
- actuarial factors for valuing early retirement costs and the cost of buying extra service; and
- the Statement of Investment Principles.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, for example when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

The key requirements relating to the FSS are that:

- After consultation with all relevant interested parties involved with the Fund, the administering authority will prepare and publish their funding strategy.
- In preparing the FSS, the administering authority must have regard to:

- FSS guidance produced by CIPFA

- its Statement of Investment Principles published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

- The Fund's actuary must have regard to the FSS as part of the fund valuation process.

1.2. Review of FSS

The FSS is reviewed in detail at least every three years ahead of triennial valuations being carried out, with the next full review due to be completed by 31 March 2014. More frequently, Annex A is updated to reflect any changes to employers.

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. If you have any queries regarding the FSS please contact Nigel Mascarenhas in the first instance at nigel.mascarenhas@camden.gov.uk or on 0207 974 1904.

2. **Purpose**

2.1. Purpose of FSS

The Department for Communities and Local Government (CLG) has stated that the purpose of the FSS is:

- *"to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;*

- *to support the regulatory framework to maintain as nearly constant employer contribution rates as possible; and*

- *to take a prudent longer-term view of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

This statement sets out how the Administering Authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions, and prudence in the approach to funding the scheme's liabilities across a range of employers participating in the Fund.

2.2. Purpose of the Fund

The Fund is a vehicle by which scheme benefits are delivered. The Fund:

- receives contributions, transfer payments and investment income;
- pays scheme benefits, transfer values and administration costs.

One of the objectives of a funded scheme is to reduce the variability of pension costs over time for employers compared with an unfunded (pay-as-you-go) alternative.

The roles and responsibilities of the key parties involved in the management of the pension scheme are summarised in Annex B.

2.3. Aims of the Funding Policy

The objectives of the Fund's funding policy include the following:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- 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; and
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

3. **Solvency Issues and Target Funding Levels**

3.1. Derivation of Employer Contributions

Employer contributions are normally made up of two elements:

a) the estimated cost of future benefits being accrued, referred to as the "*future service rate*"; plus

b) an adjustment for the funding position (or "solvency") of accrued benefits relative to the Fund's solvency target, "*past service adjustment"*. If there is a surplus there may be a contribution reduction; if a deficit a contribution addition, with the surplus or deficit spread over an appropriate period.

The Fund's actuary is required by the regulations to report the *Common Contribution Rate*[2], for all employers collectively at each triennial valuation. It combines items (a) and (b) and is expressed as a percentage of pay. For the purpose of calculating the Common Contribution Rate, the deficit under (b) is currently spread over a period of 17.5 years.

The Fund's actuary is also required to adjust the Common Contribution Rate for circumstances which are deemed "peculiar" to an individual employer[3]. It is the adjusted contribution rate which employers are actually required to pay. The sorts of peculiar factors which are considered are discussed in Section 3.7.

In effect, the *Common Contribution Rate* is a notional quantity. Separate future service rates are calculated for each employer or pool together with individual past service adjustments according to employer(or pool)-specific spreading and phasing periods.

For some employers it may be agreed to pool contributions, see Section 3.10.

Annex A contains a breakdown of each employer's contributions following the 2010 valuation for the financial years 2011/12, 2012/13 and 2013/14. It includes a reconciliation of each employer's rate with the *Common Contribution Rate*. It also identifies which employers' contributions have been pooled with others.

Any costs of early retirements other than on the grounds of ill-health must be paid as lump sum payments at the time of the employer's decision in addition to the contributions described above (or by instalments shortly after the decision).

Employers' contributions are expressed as minima, with employers able to pay regular contributions at a higher rate. Employers should discuss with the Administering Authority before making one-off capital payments.

3.2. Solvency and Target funding Levels

The Fund's actuary is required to report on the "solvency" of the whole fund at least every three years.

'Solvency" for ongoing employers is defined to be the ratio of the market value of assets to the value placed on accrued benefits on the Fund actuary's *ongoing funding basis*. This quantity is known as a funding level.

[2] See Regulation 77(4) of LGPS Regulations 1997
[3] See Regulation 77(6) of LGPS Regulations 1997

The ongoing funding basis is that used for each triennial valuation and the Fund actuary agrees the financial and demographic assumptions to be used for each such valuation with the Administering Authority. The ongoing funding basis assumes employers in the Fund are an ongoing concern and is described in the next section.

The Fund operates the same target funding level for all ongoing employers of 100% of its accrued liabilities valued on the ongoing basis. The time horizon of the funding target for community and transferee admission bodies will vary depending on the expected duration of their participation in the fund. Please refer to paragraph 3.11 for the treatment of departing employers.

3.3. Ongoing Funding Basis

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experiences of LGPS funds advised by the Fund Actuary. It is acknowledged that future life expectancy and in particular, the allowance for future improvements in mortality, is uncertain. Employers are aware that their contributions are likely to increase in future if longevity exceeds the funding assumptions.

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed statutory guarantee underpinning members' benefits. The demographic assumptions vary by type of member and so reflect the different profiles of employers.

The key financial assumption is the anticipated return on the Fund's investments. The investment return assumption allows for anticipated returns from the Fund's assets in excess of gilts, or even match the return on gilts. There is, however, no guarantee that assets will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

In light of the statutory requirement for the Actuary to consider the stability of employer contributions it is therefore normally appropriate to restrict the degree of change to employers' contributions at triennial valuation dates.

Given the very long-term nature of the liabilities, a long term view of prospective returns from equities is taken. For the 2010 valuation, it was assumed that the Fund's investments would deliver an average real additional return of 1.6% a year in excess of the return available from investing in index-linked government bonds at the time of the valuation. Based on the asset allocation of the Fund as at 31 March 2010, this is equivalent to taking credit for excess returns (equity risk premium) on equities of 2% p.a. over and above the gross redemptions yield on index-linked gilts on the valuation date and for excess returns of 0.4% p.a. on the non-equity assets.

The same financial assumptions are adopted for all ongoing employers. All employers have the same asset allocation.

3.4. Future Service Contribution Rates

The future service element of the employer contribution rate is calculated on the ongoing valuation basis, with the aim of ensuring that there are sufficient assets built up to meet future benefit payments in respect of future service. The future service rate has been calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole.

The approach used to calculate the employer's future service contribution rate depends on whether or not new entrants are being admitted.

Employers should note that it is only Admission Bodies that may have the power not to admit automatically all eligible new staff to the Fund, depending on the terms of their Admission Agreements and employment contracts.

3.5. Employers that admit new entrants

The employer's future service rate will be based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year. Technically these rates will be derived using the *Projected Unit Method* with a one year control period.

If future experience is in line with assumptions, and the employer's membership profile remains stable, this rate should be broadly stable over time. If the membership of employees matures (e.g. because of lower recruitment) the rate would rise.

3.6. Employers that do not admit new entrants

Certain Admission Bodies have closed the scheme to new entrants. This is expected to lead to the average age of employee members increasing over time and hence, all other things being equal, the future service rate is expected to increase as the membership ages.

To give more long term stability to such employers' contributions, the *Attained Age* funding method is normally adopted. This will limit the degree of future contribution rises by paying higher rates at the outset.

Both funding methods are described in the Actuary's report on the valuation.

Both future service rates will include an allowance for expenses of administration to the extent that they are borne by the Fund and include an allowance for benefits payable on death in service and ill health retirement.

3.7. Adjustments for Individual Employers

Adjustments to individual employer contribution rates are applied both through the calculation of employer-specific future service contribution rates and the calculation of the employer's funding position.

The combined effect of these adjustments for individual employers applied by the Fund actuary relate to:

- past contributions relative to the cost of accruals of benefits;

- different liability profiles of employers (e.g. mix of members by age, gender, part-time/full-time, manual/non manual);

- the effect of any differences in the valuation bases on the value placed on the employer's liabilities;

- any different deficit/surplus spreading periods or phasing of contribution changes;

- the difference between actual and assumed rises in pensionable pay;

- the difference between actual and assumed increases to pensions in payment and deferred pensions;

- the difference between actual and assumed retirements on grounds of ill-health from active status;

- the difference between actual and assumed amounts of pension ceasing on death;

- the additional costs of any non ill-health retirements relative to any extra payments made;

over the period between the 2007 and 2010 valuations and each subsequent triennial valuation period.

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events occurring in the period since the last formal valuation, including, but not limited to:

- the actual timing of employer contributions within any financial year;

- the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

3.8. Asset Share Calculations for Individual Employers

The Administering Authority does not account for each employer's assets separately. The Fund's actuary is required to apportion the assets of the whole fund between the employers (or pool of employers) at each triennial valuation using the income and expenditure figures provided for certain cash flows for each employer or pool of employers. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as “analysis of surplus”. The methodology adopted means that there will inevitably be some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund. The asset apportionment is capable of verification but not to audit standard.

The Administering Authority recognises the limitations in the process, but having regard to the extra administration cost of building in new protections, it considers that the Fund actuary’s approach addresses the risks of employer cross-subsidisation to an acceptable degree.

3.9. Stability of Employer Contributions

Solvency issues and target funding levels

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, there are a number of prudential strategies that the Administering Authority may deploy in order to maintain employer contribution rates at as nearly a constant rate as possible. These include:-

- capping of employer contribution rate increases / decreases within a pre-determined range (“Stabilisation”)
- the pooling of contributions amongst employers with similar characteristics (see 3.10)
- the use of extended deficit recovery periods
- the phasing in of contribution increases / decreases

Stabilisation

There can be occasions when, despite the deployment of contribution stabilising mechanisms such as pooling, phasing and the extension of deficit recovery periods, the theoretical employer contribution rate is not affordable or achievable. This can occur in times of tight fiscal control or where budgets have been set in advance of new employer contribution rates being available.

In view of this possibility, the Administering Authority commissioned the Fund Actuary to carry out extensive modelling around the time of the 2010 valuation to explore the long term effect on the Fund of capping future contribution increases. The results of this modelling indicated that it is justifiable to limit employer contribution rate increases to 1.0% per annum from 1 April 2011, subject to the following conditions being met:

- the Administering Authority is satisfied that the status of the employer merits adoption of a stabilised approach; and

- there are no material events between now and 1 April 2011 which render the stabilisation approach unjustifiable.

In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that the results of the modelling demonstrate that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been “stabilised” and are therefore paying less than their theoretical contribution rate should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

The long-term statutory nature of the Fund (and the employers of most of its membership) means it can therefore take a medium to long term view on determining employer contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long term view. It allows short term investment markets volatility to be managed so as not to cause volatility in employer contribution rates.

The LGPS regulations require the longer term funding objectives to be to achieve and maintain assets to meet the projected accrued liabilities. The role of the Fund Actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements. The approach to the actuarial valuation and key assumptions used at each triennial valuation form part of the consultation undertaken with the FSS.

Deficit Recovery Periods

The Administering Authority instructs the actuary to adopt specific deficit recovery periods for all employers when calculating their contributions.

The Administering Authority normally targets the recovery of any deficit over a period not exceeding 20 years (or sometimes the remaining working lifetime of each employer’s active members). However, these are subject to the maximum lengths set out in the table below.

Type of Employer	*Maximum* Length of Deficit Recovery Period
Statutory bodies with tax raising powers	a period to be agreed with each employer not exceeding 20 years
Community Admission Bodies with funding guarantees	a period to be agreed with each employer not exceeding 15 years
Best Value Admission Bodies	the period from the start of the revised contributions to the end of the employer’s contract
Community Admission Bodies that are closed to new entrants	a period equivalent to the expected future working lifetime of the remaining scheme members allowing for expected leavers,

	subject to not less than 9 years.
All other types of employer	a period equivalent to the expected future working lifetime of the remaining scheme members

This *maximum* period is used in calculating each employer's *minimum* contributions. Employers may opt to pay higher regular contributions than these minimum rates.

The deficit recovery period starts at the commencement of the revised contribution rate (1 April 2011 for 2010 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative spreading periods, for example to improve the stability of contributions.

Surplus Spreading Periods

Any employers deemed to be in surplus may be permitted (at the Administering Authority's discretion) to reduce their contributions below the cost of accruing benefits, by spreading the surplus element over the maximum periods shown above for deficits in calculating their minimum contributions.

However, if they take the full benefit of their surplus re-payments then their ability to withstand future adverse shocks in the 2013 valuation will be diminished. Employers should consider carefully whether or not to take the full benefit of their current surplus. It is recommended that employers in surplus pay the calculated future service rate.

Phasing in of Contribution Rises

Best Value Admission Bodies are not eligible for phasing in of contribution rises. Other employers may opt to phase in contribution rises as follows:

- for employers contributing at or above its future service rate in 2010/11, phasing in the rise in employer contributions over a period of three years;

- for employers contributing at less than its future service rate in 2010/11, the employer should at least pay its future service rate in 2011/12.

Phasing in of Contribution Reductions

Any contribution reductions will be phased in over six years for all employers except transferee admission bodies who can take the reduction with immediate effect.

The effect of Opting for Longer Spreading or Phasing-In

Employers which are permitted and elect to use a longer deficit spreading period than was used at the 2007 valuation or to phase-in contribution changes will be assumed to incur a greater loss of investment returns on the deficit by opting to defer repayment. Thus, deferring paying contributions will lead to higher contributions in the long-term.

However any adjustment is expressed for different employers the overriding principle is that the discounted value of the contribution adjustment adopted for each employer will be equivalent to the employer's deficit.

3.10. Pooled Contributions

Smaller Employers

The Administering Authority allows smaller employers to pool their contributions as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service. The maximum number of members to participate in a pool is set at 50 employees.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not permitted to participate in a pool.

Employers who were eligible for pooling at the previous valuation will continue to be eligible in the 2010 valuation. Any employers joining since the 2007 valuation will be asked to give their written consent to participate in the pool.

At the 2007 valuation a separate pool was operated for smaller Admission Bodies.

Other Contribution Pools

Schools are pooled with their funding Council, except in the case of Academies.

Some Admission Bodies with no remaining actives are pooled with the Council.

Those employers that have been pooled are identified in Annex A.

3.11. Admission bodies ceasing

Admission Agreements for Best Value contractors are assumed to expire at the end of the contract.

Admission Agreements for other employers may be open-ended and may continue until the last pensioner dies. Contributions, expressed as capital payments, can continue to be levied after all the employees have retired. These Admission Agreements can however be terminated at any point subject to the terms of the agreement.

The Fund, however, considers any of the following as triggers for the termination of an admission agreement:

- Last active member ceasing participation in the LGPS;
- The insolvency, winding up or liquidation of the admission body;

- Any breach by the Admission Body of any of its obligations under the agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity or to confirm appropriate alternative guarantor as required by the Fund.

In addition either party can voluntarily terminate the admission agreement by giving the appropriate period of notice as set out in the admission agreement to the other party (or parties in the case of a Transferee Admission Body).

If an Admission Body's admission agreement is terminated, the Administering Authority instructs the Fund actuary to carry out a special valuation to determine whether there is any deficit.

The assumptions adopted to value the departing employer's liabilities for this valuation will depend upon the circumstances. For example:

(a) For Transferee Admission Bodies, the assumptions would be those used for an ongoing valuation to be consistent with those used to calculate the initial transfer of assets to accompany the active member liabilities transferred.

(b) For non Transferee Admission Bodies that elect to voluntarily terminate their participation, the Administering Authority must look to protect the interests of other ongoing employers and will require the Actuary to adopt valuation assumptions which, to the extent reasonably practicable, protect the other employers from the likelihood of any material loss emerging in future. This "gilts cessation basis" could give rise to significant payments being required.

(c) For Admission Bodies with guarantors, it is possible that any deficit could be transferred to the guarantor in which case it may be possible to simply transfer the former Admission Bodies members and assets to the guarantor, without needing to crystallise any deficit.

Under (a) and (b), any shortfall would be levied on the departing Admission Body as a capital payment.

As an alternative to (b) above where the ceasing Admission Body is continuing in business, the Fund, at its absolute discretion, reserves the right to enter into an agreement with the ceasing Admission Body to accept an appropriate alternative security to be held against any funding deficit and to carry out the cessation valuation on an ongoing valuation basis. This approach would be monitored as part of each triennial valuation and the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified.

In the event that the Fund is not able to recover the required payment in full directly from the Admission Body or from any bond or indemnity or guarantor, then:

a. In the case of Transferee Admission Bodies the awarding authority will be liable. At its absolute discretion, the Administering Authority may agree to recover any outstanding amounts via an increase in the awarding authority's contribution rate over an agreed period.

b. In the case of admission bodies that are not Transferee Admission Bodies and have no guarantor, the unpaid amounts fall to be shared amongst all of the employers in the Fund. This will normally be reflected in contribution rates set at the formal valuation following the cessation date

3.12. Early Retirement Costs

Non Ill Health Retirements

The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health. All employers irrespective of whether or not they are pooled, are required to pay additional contributions wherever an employee retires "early" (see below) with no reduction to their benefit or receives an enhanced pension on retirement.

It is assumed that members' benefits on age retirement are payable from the earliest age that the employee could retire without incurring a reduction to their benefit and without requiring their employer's consent to retire. Members receiving their pension unreduced before this age other than on ill-health grounds are deemed to have retired "early".
The additional costs of premature retirement are calculated by reference to these ages.

Ill-Health retirements

The Fund monitors each employer's ill-health experience on an ongoing basis. If the cumulative number of ill-health retirements in any financial year exceeds the allowance at the previous valuation, the employer may be charged additional contributions on the same basis as applies for non ill-health cases.

3.13. New Admitted Bodies

The Fund requires the following from any potential Admission Bodies wishing to join the Fund.

Transferee Admission Bodies will be required to have a guarantee from the transferring scheduled body and also provide a bond if requested by the Administering Authority. The bond is normally required to cover the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the employer's contract

- allowance for the risk of asset underperformance

- allowance for the risk of a fall in gilt yields

- allowance for unpaid contributions

The employer may also be required to include their current deficit within the bond amount. The bond will be reassessed on an annual basis.

The Administering Authority will only consider requests from Community Admission Bodies to join the Fund if they are sponsored by a scheduled body with tax raising powers, guaranteeing their liabilities and also provide a bond if requested, unless there are exceptional circumstances not to do so.

This reduces the risk to the Fund of potentially having to pick up any shortfall in respect of Admission Bodies.

4. Links to Investment Strategy

Funding and investment strategy are inextricably linked. Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice.

4.1 Investment Strategy

The investment strategy currently being pursued is described in the Fund's Statement of Investment Principles.

The investment strategy is set for the long-term, but is reviewed from time to time, normally every three years, to ensure that it remains appropriate to the Fund's liability profile.

The investment strategy of lowest risk would be one which provides cashflows which replicate the expected benefit cashflows (i.e. the liabilities). Equity investment would not be consistent with this.

The Fund's benchmark includes a significant holding in equities in the pursuit of long-term higher returns than from a liability matching strategy.

The same investment strategy is currently followed for all employers. The Administering Authority does not currently have the facility to operate different investment strategies for different employers.

4.2 Consistency with Funding Basis

The funding policy currently adopts an asset outperformance assumption of 1.6% p.a. over and above the redemption yield on fixed income. This resulted in a return on the Fund's assets of 6.1% p.a. to be adopted for the 2010 formal valuation. The primary investment objective is to maximise the long term investment returns whilst taking account of the risks specified in Section 4 of the Statement of Investment Principles. The Fund's investment strategy and performance target is stated in **Appendix C** of the Statement of Investment Principles. The Fund's Actuary considers that the funding basis does conform to the requirements to take a "prudent longer-term" approach to funding.

The Administering Authority has sought specific advice from the Fund's Actuary on the interaction between funding and investment strategy. In particular, the Administering Authority will consider the implications of the combined strategy on the key objectives of stability of contributions, affordability for employers, transparency of process and method, and prudence. The Administering Authority considers that its funding and investment policy appropriately balances these objectives.

The Administering Authority is aware that, in the short term – such as the three yearly assessments at formal valuations – the proportion of the Fund invested in equities brings the possibility of considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of the outperformance target. The stability measures described in Section 3 will dampen down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.3 Balance between risk and reward

Prior to implementing its current investment strategy, the Administering Authority considered the balance between risk and reward by altering the level of investment in potentially higher yielding, but more volatile, asset classes like equities. This process was informed by the use of Strategic Benchmarking techniques to model the range of potential future solvency levels and contribution rates.

4.4 Monitoring of Funding Position

The Administering Authority monitors investment performance relative to the growth in the liabilities by means of interim valuations. Following the completion of such valuations it will report back to Camden Council by means of a report to the Pension Sub Committee in a written form which is available to the public, and to other employers via the Council's website.

5. Key Risks & Controls

5.1 Types of Risk

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

- financial;
- demographic;
- regulatory;
- governance; and
- administration

5.2 Risk Register

The Administering Authority monitors risks and controls in a Risk Register, which is reviewed and reported to the Pensions Sub Committee on a biannual basis. The Risk Register is stated in **Appendix D** of the Statement of Investment Principles.

Annex A – Employers' Contributions, Spreading and Phasing Periods

Following the 2010 valuation, the minimum employer contributions shown in the Rates and Adjustment certificate attached to the 2010 valuation report are shown in the table below. The table also reflects the individual adjustments under Regulation 36(4) to each employer's contributions from the 'Common Contribution Rate'.

Employer code	Employer name	Contributions currently being paid in 2010/11	Minimum Contributions for the Year Ending 31 March 2012	31 March 2013	31 March 2014
	LONDON BOROUGH OF CAMDEN POOL				
1	London Borough of Camden	23.3%	24.3%	25.3%	26.3%
	LONDON BOROUGH OF CAMDEN POOL (no active employers)				
3	LB Man. Services Unit	* See Note 1	* See Note 1	* See Note 1	* See Note 1
5	Camden Community Law Centre	* See Note 1	* See Note 1	* See Note 1	* See Note 1
10	CCCR	* See Note 1	* See Note 1	* See Note 1	* See Note 1
13	LBCRPC	* See Note 1	* See Note 1	* See Note 1	* See Note 1
22	National Nursery Examination Board	* See Note 1	* See Note 1	* See Note 1	* See Note 1
25	Camden Training Centre	* See Note 1	* See Note 1	* See Note 1	* See Note 1
29	Camden Play & Youth Work Agency	* See Note 1	* See Note 1	* See Note 1	* See Note 1
32	Doorstep	* See Note 1	* See Note 1	* See Note 1	* See Note 1
34	Inquire	* See Note 1	* See Note 1	* See Note 1	* See Note 1
38	NSPCC	* See Note 1	* See Note 1	* See Note 1	* See Note 1
41	Groundwork Camden	* See Note 1	* See Note 1	* See Note 1	* See Note 1
42	Disability Resource Team	* See Note 1	* See Note 1	* See Note 1	* See Note 1
44	New Directions Camden	* See Note 1	* See Note 1	* See Note 1	* See Note 1
202	APCOA Parking UK LTD	* See Note 1	* See Note 1	* See Note 1	* See Note 1
203	Jewish Free School	* See Note 1	* See Note 1	* See Note 1	* See Note 1
204	KGB Cleaning & Support Services	* See Note 1	* See Note 1	* See Note 1	* See Note 1
	SMALL ADMITTED BODIES POOL				
11	Camden Arts Centre	21.6%	22.3%	22.3%	22.3%
21	Voluntary Action Camden	21.6%	22.3%	22.3%	22.3%
26	Local Government Information Unit	21.6%	22.3%	22.3%	22.3%
31	Holborn Community Association	21.6%	22.3%	22.3%	22.3%
37	Abbey Road Housing Co-op	21.6%	22.3%	22.3%	22.3%
43	Chalk Farm Housing Group	21.6%	22.3%	22.3%	22.3%
45	Agar Grove Co-op Ltd	21.6%	22.3%	22.3%	22.3%
205	National Association for Local Councils	21.6%	22.3%	22.3%	22.3%
	INDIVIDUAL EMPLOYERS				
12	Coram	26.4%	39.0%	21.8% plus £156,000	21.8% plus £156,000
14	Age Concern Camden	26.0%	50.6%	50.6%	50.6%
23	British Association for Adoption & Fostering	19.6% plus £146,000	20.6% plus £201,000	20.6% plus £212,000	20.6% plus £223,000
24	Camden Citizens Advice Bureau	17.0%	23.5%	23.5%	23.5%
48	Local Government Improvement and Development	22.4%	17.0% plus £1,347,000	17.0% plus £1,418,000	17.0% plus £1,493,000
49	Local Government Employers	34.3%	17.8% plus £502,000	17.8% plus £502,000	17.8% plus £502,000
52	Mitie PFI LTD	16.2%	20.1%	20.1%	20.1%
53	Greenwich Leisure Limited	17.5%	27.5%	27.5%	27.5%
54	Home Connections Lettings Ltd	14.8%	16.6%	16.6%	16.6%
55	NSL Ltd	20.5%	19.6%	19.6%	19.6%
56	Land Data CIC	35.2%	42.0%	42.0%	42.0%
201	Childrens Hospital School	19.7% plus £1,000	26.6%	26.6%	26.6%
221	Epic Trust	17.1%	22.5%	22.5%	22.5%
222	The Camden Society	25.4%	24.6%	24.6%	24.6%
223	Creative Support Ltd	18.4%	21.8%	21.8%	21.8%
224	ISS Facilities Ltd - Fresh CM	15.2%	18.7%	18.7%	18.7%
225	Broadland Guarding Services Ltd	12.4%	17.4%	17.4%	17.4%
226	Housing 21	19.9%	22.5%	22.5%	22.5%
227	Plan Personnel	20.8%	22.5%	22.5%	22.5%
228	Outward	17.9%	21.7%	21.7%	21.7%
229	Care UK Ltd	19.8%	20.2%	20.2%	20.2%
230	Mears Care Ltd	21.5%	24.1%	24.1%	24.1%
231	Tompkins and May Partnership	25.5%	21.8%	21.8%	21.8%
	INDIVIDUAL EMPLOYERS (no active employers)				
18	Camden Family Service Unit	* See Note 3	* See Note 3	* See Note 3	* See Note 3
19	Parents for Children	* See Note 4	* See Note 4	* See Note 4	* See Note 4
20	Fostering Network	21.6%	* See Note 5	* See Note 5	* See Note 5
28	Local Government Management Board	* See Note 2	* See Note 2	* See Note 2	* See Note 2
30	Camden Volunteer Bureau	-	-	-	-
33	Camden Community Nurseries Ltd	£11,000	£20,000	£20,000	£20,000
39	South Hampstead Housing Co-op	* See Note 6	* See Note 6	* See Note 6	* See Note 6
40	Kilburn Vale TMC	* See Note 6	* See Note 6	* See Note 6	* See Note 6
46	London Ecology Unit	* See Note 7	* See Note 7	* See Note 7	* See Note 7
47	London Housing Unit	* See Note 8	* See Note 8	* See Note 8	* See Note 8

Further comments

Ill health liability insurance

Note that, if an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the administering authority, then their Minimum Total Contribution Rate may be reduced by their insurance premium, for the period the insurance is in place.

Stabilisation

The following employers have had their contribution rates stabilised following a separate modelling exercise that I carried out on their behalf:

- London Borough of Camden

Notes

1 The liabilities of some of the employers with no active members have been included in the London Borough of Camden pool. These are noted above.

2 The liabilities in respect of Local Government Management Board have been split between Improvement and Development Agency (70%) and Employers Organisation for Local Government (30%).

3 Camden Family Service Unit ceased participation in the Fund as at 1 June 2006 and a cessation deficit amount of £162,000 was quoted at that date. They have since gone into administration and a settlement payment was paid to the fund by the liquidators.

4 Parents for Children went into administration in 2009 and a payment of £11,787 was received by the fund on 27 July 2010.

5 Fostering Network ceased participation in the Fund as at 30 April 2010 and a cessation deficit amount of £1,917,000 was quoted at that date. The scheduled date of this payment is 24 August 2011.

6 South Hampstead Housing Co-op and Kilburn Vale TMC have paid cessation amounts in full. No further payments are due from these employers.

7 London Ecology Unit is currently subject to a bulk transfer to the London Pensions Fund Authority.

8 London Housing Unit has settled a bulk transfer to the London Pensions Fund Authority.

9 Contributions expressed as a percentage should be paid into London Borough of Camden Pension Fund (‘the Fund’) at a frequency in accordance with the requirements of the Regulations.

10 Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentation using methods and factors issued by me from time to time.

11 Further sums may be required to be paid to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those included within my assumptions.

12 The certified contribution rates represent the minimum level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund actuary.

13 The schools included in the London Borough of Camden will pay the same rate as the London Borough of Camden Pool.

Annex B – Responsibilities of Key Parties

The Administering Authority should:

- collect employer and employee contributions;
- invest surplus monies in accordance with the regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a Funding Strategy Statement and Statement of Investment Principles, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend Funding Strategy Statement and Statement of Investment Principles as necessary;
- prepare annual accounts and get these audited, control cash flow and administration costs.

The Individual Employer should:

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, excess ill-health early retirements if appropriate;
- notify the administering authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement;
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.

The Audit and Corporate Governance (Pensions) Sub-Committee should act within its terms of reference as set out in the Councils constitution to: -

- carry out statutory functions relating to local government pensions under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972. Broadly this enables them to oversee the general framework within which the Fund is managed
- monitor investment and administration performance
- carry out regular reviews of investments and investment strategy
- determine and keep under constant review, an overall asset allocation policy for the Fund, including appointment and termination of fund managers
- consider appropriate professional advice on all matters.
- approve significant internal decisions and documents for the scheme including the valuation, Annual Report and Accounts and the FSS, and
- determine and keep under constant review, all policies and strategies of the Fund.

LONDON BOROUGH OF CAMDEN PENSION FUND

APPENDIX 3: STATEMENT OF INVESTMENT PRINCIPLES

Contents

LONDON BOROUGH OF CAMDEN PENSION FUND
STATEMENT OF INVESTMENT PRINCIPLES

1. LEGAL REQUIREMENTS

1.1 Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 require all local authority pension funds to prepare and maintain a Statement of Investment Principles (SIP) and to review it from time to time and revise as necessary. Administering authorities must also state the extent to which they comply with the six principles of investment practice, set out in the document ‘Principles for Investment Decision Making in the Local Government Pension Scheme in the United Kingdom’ published by the Chartered Institute of Public Finance and Accountancy Pensions Panel.

1.2 Professional advice was sought from the Investment Consultant in the preparation of this document.

2. BACKGROUND

2.1 The London Borough of Camden Pension Fund, (the Fund) is a final salary defined benefit pension scheme established by statute, operating under the Local Government Pension Scheme Regulations 2009. 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.

2.2 The Council has delegated responsibility for the management of the Fund to the Audit and Corporate Governance (Pensions) Sub-Committee (PSC). The PSC has responsibility for establishing investment policy and ongoing implementation.

2.3 The PSC receives advice from the Director of Finance, 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 Services 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.

2.4 The investment principles outlined in the Camden SIP were first established for the Fund in 2000 and are reviewed annually and revised from time to time to incorporate material changes. In 2008/09 a major review of investment policy was completed, which was then developed further with an additional review in 2011/12. Following these reviews new investment manager appointments were made which were incorporated in the SIP.

3. RESPONSIBILITIES

Appendix A- Governance and Management shows the individuals and organisations currently having a responsibility for the Fund.

3.1 Pensions Sub-Committee (PSC)

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

The investment powers of the PSC are set out in the Regulations. The Sub-Committee has approved and adopted this SIP in relation to the investment of the Fund's assets, and the SIP is consistent with the investment policies established and implemented by the Sub-Committee for the Fund.

The Sub-Committee meets at least quarterly and comprises eight voting members, five from the ruling Labour Group, two from the Liberal Democrat Group and one from the Conservative Group. There is a quorum of two, and there are five substitute members.

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

The responsibilities of the Sub-Committee are to:

- Administer all matters concerning the Council's pension investments in accordance with the law and Council policy.
- Set the overall policy objectives for the Fund and the Strategic Asset Allocation.
- Appoint and monitor investment managers as appropriate, consistent with achieving the policy objectives.
- Appoint and monitor custodians, consultants and advisers as required to assist in the governance and management of the Fund.
- Review investment managers' valuation and activity reports to ensure compliance with the investment guidelines and risk parameters, and investment performance compared with the targets which have been set.
- Terminate the appointment of an investment manager where investment performance or other considerations determine that such action is in the best interests of the Fund.
- Prepare and maintain the SIP.
- Set socially responsible investment and corporate governance policies for the Fund.

- Consider policy matters in relation to the pension scheme and the Council's early retirement policy, and monitor early retirements.

- Determine applications from other bodies for membership of the Fund where the Director of Finance is minded to refuse.

The Sub-Committee operates under procedural rules as set out in the London Borough of Camden Constitution, which can be accessed via the Council's website www.camden.gov.uk/ccm/content/council-and-democracy/decision-making/the-constitution/

3.2 Investment Managers

Eight appointed investment managers have responsibility for managing passive index tracking and active portfolios of equity, fixed interest, hedge fund, diversified growth fund and property investments. Details of the investment managers and their mandates are shown in **Appendix B** and their investment performance benchmarks and targets are shown in **Appendix C**.

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 Sub-Committee.
- Assist the Director of Finance in the preparation of the SIP.

3.3 Custodian

The investments of the Fund are held and recorded independently by a custodian bank 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.

3.4 Actuary

The responsibilities of the Actuary are to:

- Prepare the triennial valuation of the Fund.
- Provide advice to the Sub-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.

3.5 Investment Consultant and Independent Investment Advisor

The responsibilities of the Investment Consultant and Independent Investment Advisor are to advise the Director of Finance and the Sub-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.

3.6 Director of Finance

The Director of Finance and Pensions Team 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 Sub-Committee.
- Preparing the Fund annual report and accounts.
- Regular interim briefing meetings with investment managers.
- Ensuring that the SIP and other relevant Fund documentation is reviewed and updated periodically, and ensuring compliance by investment managers with the SIP and Investment Management Agreements.

4. INVESTMENT OBJECTIVE

4.1 The primary investment objective is to ensure that Fund assets are invested to secure the benefits for members. The Fund has adopted an investment strategy to:

- optimise the anticipated return consistent with a prudent level of risk.
- ensure that there are sufficient resources to meet the liabilities as they fall due.
- ensure the suitability of assets in relation to the needs of the Fund.

5. INVESTMENT STRATEGY AND ASSET ALLOCATION

5.1 The investment objectives are reflected in a strategic benchmark which sets out, in its asset allocation, the longer term strategy adopted by the Fund in terms of the balance between equities, fixed interest, property and other investments. Investment policy has been formulated on the premise that equity investment over the longer term is likely to provide superior returns to other asset classes.

5.2 Investment managers have been set individual strategies to meet performance objectives set for them by the Fund. Seven external professional investment organisations have been appointed. Each manager has an Investment Management Agreement (IMA), or other equivalent agreement, and investment guidelines which set out the relevant performance benchmark and target for outperformance, the asset allocation ranges and other restrictions on investment. All of the appointed investment managers are authorised under the Regulations to manage the assets of the Fund.

5.3 The assets are invested both in passive index tracking and actively managed portfolios. Index tracking portfolios are constructed so as to closely replicate the return achieved by the relevant market index. Actively managed portfolios are expected to outperform their respective benchmark index by a given performance target over given periods (usually 3 year rolling period).

5.4 In setting the performance benchmark, key considerations are the funding level and maturity profile of the Fund, and the risk tolerance levels associated with the various different asset classes.

6. TYPES OF INVESTMENT HELD

6.1 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:

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.

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).

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.

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

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.

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

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.

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

The Fund has determined that no stock lending of investments is permitted where assets are directly held in the name of the Fund. It is recognised that this policy cannot be applied where investment is made through pooled funds, where the Fund is one of a number of investors.

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	4-5	Good
Global Equities	Reasonable	4	Good
Property	Reasonable	4-5	Poor
Bonds	Poor	0-1	Good
Hedge Funds	Reasonable	2-3	Reasonable
DGFs	Reasonable	3-4	Good
Cash	Variable	0-1	Good

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

7. BALANCE BETWEEN DIFFERENT KINDS OF INVESTMENT

7.1 The allocation of assets between the various different available types for the medium to long term is determined by the Strategic Asset Allocation

(**Appendix B**), 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.

7.2 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.

8. POLICY ON RISK

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

8.1 Solvency and mismatching risks

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.

8.2 Manager risk

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.

8.3 Political and Currency Risks

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.

8.4 Liquidity risk

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.

8.5 Custodial risk

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.

8.6 Risk Register

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 biannually by Pensions Sub Committee and is attached as **Appendix D**.

9. EXPECTED RETURN ON INVESTMENTS

9.1 The long term return on the investments held is expected to exceed inflation and general earnings growth, and to be in line with or exceed the return assumed by the Actuary on valuing the assets and liabilities on an ongoing basis. The triennial valuation in 2010 has assumed an equity risk premium of 2.0% and as asset outperformance adjustment of 1.6%. However, the return in any shorter period may vary significantly from those long term averages. To enable the management of performance outturn, an independent performance measurer (WM Company) is engaged to provide statistical information on both long and shorter term performance of the Fund and of the individual investment managers.

10. THE REALISATION OF INVESTMENTS

10.1 Fund policy is that there should be, at all times, sufficient investments in cash or readily realisable form, to meet anticipated cash flow requirements including benefit payments as they fall due, such that the realisation of investments will not disrupt the overall investment policy.

11. SOCIALLY RESPONSIBLE INVESTMENT (SRI) AND CORPORATE GOVERNANCE

11.1 The Fund has considered how social, environmental and ethical factors should be taken into account in the investment process. The Fund considers that it should in all circumstances act in the best financial interests of the members of the Fund.

11.2 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. It believes that ‘robust’ engagement with companies is a better approach than placing restrictions on particular types of investment.

11.3 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. To this end, the Fund seeks information on a quarterly basis from each of its investment managers in order to ensure that an active and robust engagement policy is being pursued.

11.4 The Fund will fully utilise opportunities available through membership of the Local Authority Pension Fund Forum (LAPFF) to take a more pro-active stance towards engagement with companies on SRI issues. The Chair of the Pensions Sub-Committee has been elected to the executive of the LAPFF.

11.5 The Fund regards the exercise of voting rights attaching to investments as of great importance. The Fund has appointed Corporate Governance Advisors Manifest to ensure that voting rights are used in the most advantageous way. Manifest 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 Manifest, and is reviewed and agreed annually by the Pensions Sub-Committee.

12. COMPLIANCE STATEMENT- CIPFA PENSIONS PANEL

12.1 The Regulations require the administering authority to state the extent to which it complies with the Principles for Investment Decision Making established by the CIPFA Pensions Panel. There are six revised Principles of Good Investment Practice which the Government have promoted, based on the Myners Review of Institutional Investment (2000).

12.2 **Appendix E** sets out the extent to which Camden complies with the Principles, and was last reviewed by the Pensions Sub-Committee as part of the 2011/12 Annual Report in September 2012.

APPENDIX A: GOVERNANCE AND MANAGEMENT

Audit and Corporate Governance (Pensions) Sub-Committee

Members	Cllr Peter Brayshaw (Chair) Cllr Phil Jones (Vice Chair) Cllr Paul Braithwaite Cllr John Bryant Cllr Roger Freeman Cllr Georgia Gould Cllr Adam Harrison Cllr Abdul Quadir
Substitute Members	Cllr Maryam Eslamdoust Cllr Heather Johnson Cllr Maeve McCormack Cllr Roger Robinson Cllr Awale Olad Cllr Keith Moffitt Cllr Chris Naylor Cllr Don Williams
Retired Members' Observer	VACANT
Retired Members' Substitute	Jenny Nyman
Union Observers	Thomas Fenn (Camden GMB) Kiran Patel (Camden UNISON) Vinothan Sangarapillai (Camden UNISON)

The following officers are all based at the Town Hall Extension, Argyle Street, London, WC1H 8NG.

Director of Finance

Mike O'Donnell

Deputy Director of Finance

Marion Kelly*

Head of Treasury

Nigel Mascarenhas

Pension Fund Accountant

Peter Taylor

Scheme Administrators

Mike Bezzi
Pensions Admin Shared Service

Legal Advisors

Borough Solicitor

*Marion Kelly is due to leave the authority in August 2013, to be replaced by Ali Griffin in September 2013.

Investment Managers

Aberdeen Asset Managers Ltd
Bow Bells House
One Bread Lane
London, EC4M 9HH

Baring Asset Management Ltd
155 Bishopsgate
London, EC2M 3XY

BlueCrest Capital Management LLP
40 Grosvenor Place
London, SW1X 7AW

Brevan Howard Asset Management LLP
55 Baker Street
London, W1U 8EW

Goldman Sachs Asset Management International
Christchurch Court,
10-15 Newgate Street.
London, EC1A 7HD

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

CBRE Collective Investors Ltd
Third Floor
One New Change
London, EC4M 9AF

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

Note: Brevan Howard (Nov 2012) and Barings (Jan 2013) have been appointed in the last 12 months. The Fund disinvested from Fidelity Investment Ltd in January 2013.

Custodian

J.P. Morgan Limited
25 Bank Street
Canary Wharf
London, E14 5JP

Performance Measurement

WM Performance Services
525 Ferry Road,
Edinburgh, EH5 2AW

Investment Consultant

Aon Hewitt
10 Devonshire Square,
London EC2M 4YP

Independent Investment Advisor

Karen Shackleton
AllenbridgeEpic Investment Advisors Ltd
PO Box 785
Lancaster, LA1 7DB

Note: The Independent Investment Advisor was appointed in November 2012.

Actuary

Corporate Governance Adviser

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

Manifest Ltd
9 Freebournes Court
Newland Street
Witham
Essex CM8 2BL

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
Laurence Pountney Hill
London, EC4R OHH

Note: KPMG were appointed in 2012, replacing the Audit Commission

Bodies of which the Pension Fund is a Member or Subscriber

Club Vita
Local Authority Pension Fund Forum (LAPFF)
London Pension Fund Forum (LPFF)
Pension Fund Investment Forum (PFIF)
CIPFA (Chartered Institute of Public Finance and Accountancy) Pensions Network

APPENDIX B: STRATEGIC ASSET ALLOCATION AND CURRENT ALLOCATION BETWEEN INVESTMENT MANAGERS

From 1 February 2013

ASSET CLASS	%	%	Basis
GLOBAL EQUITIES			
Aberdeen Asset Managers	25		Active
Legal & General	5		Passive
		30	
UK EQUITIES			
Legal & General	25		Passive
		25	
INDEX-LINKED GILTS			
Legal & General	3		Passive
		3	
BONDS			
Goldman Sachs Asset Management International	12		Active
		12	
PROPERTY			
CBRE	5		Active
Partners Group	5		Active
		10	
HEDGE FUNDS			
BlueCrest Capital Management LLP	5		Active
Brevan Howard LLP	5		Active
		10	
DIVERSIFIED GROWTH FUNDS			
Baring Asset Management	10		Active
		10	
TOTAL FUND		**100**	

Developments to the Strategic Asset Allocation

It was agreed by Committee on 19 June 2012 that the allocation to Hedge Funds would be increased from 5% to 10%, and that there be an allocation of 10% for a Diversified Growth Fund. During the year to 31 March 2013 these appointments have been made, reducing the allocation to Global Equities.

The Committee is planning to review its Strategic Asset Allocation with respect to investing in Private Equity (5%) and Infrastructure (5%) in November 2013.

APPENDIX C: INVESTMENT MANAGERS, PERFORMANCE BENCHMARKS AND TARGETS

ASSET CLASS	INVESTMENT MANAGER	PERFORMANCE BENCHMARK AND TARGET OUTPERFORMANCE
Active Global Equities	Aberdeen Asset Managers	To outperform the MSCI All Countries World Index by 2-3% p.a. over rolling 3 and 5 year periods, on a Gross Return basis, gross of fees
Passive Global Equities	Legal & General	To track the total return of the FTSE-All World Index within + / - 0.25% two years out of any three, before the deduction of fees
Passive UK Equities	Legal & General	To track the total return of the FTSE-All Share Index within + / - 0.25% two years out of any three, before the deduction of fees
Index-Linked Gilts (Passive)	Legal & General	To track the total return of the FTSE-A Government Index-Linked (Over 5 Year) index within + / - 0.25% two years out of any three, before the deduction of fees.
Active Bonds	Goldman Sachs Asset Management	To outperform the Merrill Lynch Sterling Broad Index by 1% over rolling 3 years
UK Property	CBRE Collective Investors	To outperform the IPD UK All Balanced Property Funds Index by 1.0% over rolling 3 year periods.
Global Property	Partners Group (UK) Limited	This is an absolute return mandate with the manager targeting an absolute return in excess of 15% over the life of the Fund.
Fund of Hedge Funds	BlueCrest Capital Management	This is an absolute return mandate with the manager committing to target a return of cash (3 moths GBP LIBOR) plus 5 – 10% over the life of the Fund.
Fund of Hedge Funds	Brevan Howard Asset Management	This is an absolute return mandate with the manager committing to target a return of cash (3 moths GBP LIBOR) plus 5 – 10% over the life of the Fund.
Diversified Growth Fund	Baring Asset Management	This is an absolute return mandate with the manager committing to target a return of cash (3 moths GBP LIBOR) plus 4% over the life of the Fund.

APPENDIX D: CAMDEN PENSION FUND RISK REGISTER

Date Reviewed: June 2013

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	o Only anticipate long-term return on a relatively prudent basis to reduce risk of under-performing o Analyse progress at three yearly valuations for all employers o Inter-valuation roll-forward of liabilities between formal valuations at whole fund level, provided on an annual basis o Regularly benchmark assets to revalued liabilities (by providing updates on the median fund from Hymans Navigator data) o Provide a quarterly comparison of actual asset performance to projected performance based on valuation assumptions o Support PSC to focus more on liabilities and investment strategy	3	5	15		3	5	15	Annually/ Quarterly	PSC

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
2. Level of investment risk inherent in the asset allocation and use of appropriate financial instruments and level of leverage in investment strategies	o Agree and establish appropriate level of risk in a diversified strategy with the Investment Consultant o Ensure full understanding of nature of risk in each asset class o The Investment strategy is reviewed at least every three years by Committee o The Independent Advisor completed due diligence on all current investment mandates	4	3	12	o Further Member training on nature of investments	4	3	12	Annually	PSC
3. Inappropriate long-term investment strategy	o Fund-specific benchmark, informed by Asset-Liability modelling of liabilities o Compliance with LGPS regulations o The Investment strategy is reviewed at least every three years by Committee (last reviewed June 2012) o Liabilities to be monitored regularly to inform the strategy o 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	2	5	10		2	5	10	Quarterly	PSC

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
4. Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities	o Inter-valuation monitoring, as above o Some investment in bonds helps to mitigate this risk o Monitor movement in funding level since the last valuation in performance report	2	4	8	o Review of fixed income investments to ensure continued appropriateness	2	4	8	Quarterly	PSC
5. Pay and price inflation significantly more than anticipated	o The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases o Inter-valuation monitoring, as above, gives early warning o Some investment in index-linked bonds also helps to mitigate this risk o 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 o The performance report covers movements in inflation. The cash flow report also shows impact of inflation on pension payments	3	4	12	o Monitor pay rises for all employers o Changes to employer rates between valuation could be implemented	2	4	8	Quarterly	PSC

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
6. Investment vehicle is not understood	o Investment Consultant and Independent Advisor feed into decisions on new asset classes o Member training o Appropriate due diligence carried out during searches by Investment Consultant and lawyers	3	3	9	o Further Member training on new asset classes held, and when other classes are to be considered	2	3	6	Ongoing	PSC / Head of Treasury
7. Specific risk of market failure in the Eurozone	o Limit concentration of investment in any one specific market through manager agreements o Monitor markets constantly, and seek advice of managers, consultants and independent advisor	2	3	6		2	3	6	Ongoing	PSC / Head of Treasury
8. Forced selling of assets in falling market due to cashflow requirements	o Monitoring of cash flows and Fund maturity, and taking appropriate strategic action (as above) o Dividends can be used to fund benefit payments. Additionally structures with most managers mean assets can be sold or units redeemed to fund benefits.	2	3	6		2	3	6	Ongoing	PSC / Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
9. Actuarial Risk, i.e. miscalculation of liabilities or in appropriate assumptions	o The Administering Authority maintains close contact with its advisers o Advice is delivered via formal meetings involving elected members, and recorded properly o Advice is subject to professional requirements such as peer review o New Technical Actuarial Standards in place since last valuation, which in effect impose further best practice requirements on actuarial advice o The Fund now has two experienced actuaries with Camden-specific knowledge (Bryan Chalmers and Douglas Green) advising its Officers and Committee	1	5	5		1	5	5	Ongoing	PSC / Officers
10. Geographical / Currency risk in investments	o Limit concentration of investment it any one specific market through manager agreements o Regular review of compliance with manager agreements o Monitor markets constantly, and seek advice of managers, consultants and independent advisor	2	3	6	o The Fund could consider the use of a strategic currency hedge to limit risk	2	2	4	Ongoing	PSC / Head of Treasury

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
11. Illiquidity of assets means benefits cannot be paid	o Periodic review of Fund assets with Investment Consultant, and officer due diligence on markets o Maturity of Fund kept under review by Committee. Reports considered at June and November 2012 meetings.	2	2	4		2	2	4	Ongoing	PSC / Head of Treasury

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
12. Investment manager under-performance relative to target	o Short term (quarterly) investment monitoring analyses market performance and active managers relative to their index benchmark. This gives an early warning of contribution rises ahead. In the short term, volatility dampened down by stability measures on contributions. However, if underperformance is sustained over a period, contributions would rise more or the fund could change managers. o The Committee has demonstrated that it can identify poor performance and tackle this with the phased withdrawal from Fidelity o Any changes to investment process, philosophy, portfolio team are reported to PSC o Appointment of Independent Advisor to strengthen scrutiny in this area, and due diligence conducted by her on all managers (PSC February 2013)	2	2	4		2	2	4	Quarterly	PSC

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
13. Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	o Seek feedback from employers on scope to absorb short-term contribution rises o Mitigate impact through deficit spreading and phasing in of contribution rises o 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 o Employer register to be considered annually by Committee	3	2	6	o Continued dialogue between officers, actuary and admitted bodies to control risk	2	2	4	Annually by PSC / Ongoing by officers	PSC / Head of Treasury
14. Investment counterparty risk with regards to stock lending and use of derivatives	o Practice of stock lending and use of derivatives monitored by officers and Independent Advisor o Investment Consultant has coverage of all investment managers	2	2	4		2	2	4	Ongoing	PSC / Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
15. Asset manager or bank failure	o Detailed due diligence is carried out when new manager or custodian is appointed (financially and legally) o Financial stability of managers and custodian monitored by officers and Independent Advisor o Investment Consultant has coverage of all investment managers	1	4	4		1	4	4	Ongoing	Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
16. Fraud experienced	o All investment managers required to submit audits on internal controls and summarised as part of the annual report to members o Detailed due diligence is carried out when new managers are appointed (financially and legally) o Audit of the fund is carried out by competent auditors o Internal audit is carried out by competent auditors o Custodian has strong internal controls including reconciliation of asset values and performance o Managers able to give complete look through into underlying assets o Assets held in segregated accounts where possible o Investment Consultant has coverage of all investment managers	1	3	3		1	3	3	Ongoing	PSC / Head of Treasury

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
17. Custodian Risk - creditworthiness, ability to settle trades, provide secure safekeeping and accurate and timely reporting	o Service Level Agreement in contract o Review of custodian Key Performance Indicators o Regular officer meetings with custodian	1	3	3		1	3	3	Ongoing	Officers
18. Environmental, Social & Governance issues impacting on investments	o Equity managers review ESG issues as part of investment decision, and report issues and company engagement as part of quarterly reports o Membership of LAPFF and appointment of corporate governance advisor providing research on companies invested	1	2	2		1	2	2	Ongoing	PSC / Officers
2. **DEMOGRAPHIC RISKS**										
19. Deteriorating active membership due to employer savings programmes	o Monitoring scheme membership, and the effect on cash flows and Fund maturity, and taking appropriate strategic action o Past service adjustments paid as cash amount instead of percentage (which could otherwise decline with membership)	3	4	12	o Further scenario testing through modelling of staff data	3	3	9	Quarterly	PSC / Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
20. Ill-health retirements significantly more than anticipated.	o 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. o Employers informed of ill health insurance option at recent Employer Forum	3	2	6	o The employer register will monitor this data and variances can be discussed with employers o Individual employers can take out ill-health insurance to cover for strain costs.	3	1	3	Annually	PSC
21. Deteriorating patterns of early retirements	o Employers are charged the extra capital cost (strain cost) of non-ill-health retirements following each individual decision	3	1	3		3	1	3	Annually	PSC

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
22. Pensioners living longer not identified.	o 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 o Fund actuary sets mortality assumptions with some allowance for future increases in life expectancy o Fund actuary monitors combined experience of around 50 LGPS funds to look for early warnings of lower pension amounts ceasing than assumed in funding o Administering Authority encourages any employers 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	2	3	6	o Continue dialogue with employers o PSC to receive a report on mortality annually	1	3	3	Annually	PSC

3. REGULATORY RISKS

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
23. Changes to national pension requirements and/or HM Revenue & Customs rules e.g. impact of new LGPS 2014 scheme.	o The Administering Authority is alert to the potential creation of additional liabilities and administrative difficulties for employers and itself o The Administering Authority considers all consultation papers issued by the CLG and comments where appropriate o The Administering Authority will consult employers where it considers that it is appropriate o Any changes to the regulations, scheme design and benefits package should be reported to PSC o Opt outs are monitored as part of the Cash Flow & Administration report o Scheme changes and benefits are communicated to members to prevent opt outs o The result of the most recent reforms (2014 scheme) are being built into the 2013 valuation	5	2	10		5	2	10	Ongoing	PSC / Pensions Manager

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
24. Changes to regulations and Act, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees	o see above	1	5	5		1	5	5	Ongoing	PSC
4. **GOVERNANCE RISKS**										
25. Forced merger of LGPS funds	o DCLG call for evidence that such a proposal would improve the LGPS o Ongoing debate with advice from Pensions experts on a national basis.	3	5	15	o Ensure that Camden participate in any consultation and raise concerns to the appropriate authority	3	5	15	TBC	PSC / Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
26. An employer ceasing to exist with insufficient funding or adequacy of a bond.	o Seeking a funding guarantee from another scheme employer, or external body, where ever possible o Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice o Vetting prospective employers before admission o Where permitted under the regulations requiring a bond to protect the scheme from the extra cost of early retirements on redundancy if the employer failed o Reviewing bonds regularly o Reviewing the employer register regularly o Dialogue with employers to ensure risks are understood and managed, such as at recent Employers Forum	4	2	8		4	2	8	Annually	PSC

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
27. Environmental, Social & Governance issues impacting on reputation	o Membership of LAPFF providing active corporate engagement and championing of ESG issues o Corporate Governance advisor provides company research and ensures Camden voting policy executed on shareholdings o Members and officers aware of fiduciary responsibilities, acting in the interest of the Fund and taxpayers	3	2	6		3	2	6	Ongoing	PSC / Officers
28. Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	o The Administering Authority maintains close contact with its advisers o Advice is delivered via formal meetings involving elected members, and recorded properly o Advice is subject to professional requirements such as peer review	1	5	5		1	5	5	Ongoing	PSC / Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
29. Members on the Pensions Sub-Committee and officers do not have the necessary knowledge and skills to take decisions	o Ensure training opportunities are shared, attended and reported on (part of the quarterly Business Plan) o Adopt CIPFA Knowledge and Skills framework for Members and officers o Develop introductory training for all new members to PSC to attend o After elections and change of elected members on the PSC group training is run for the whole committee o Set up biannual member training for all PSC o Ensure officers go on relevant training o Make sure independent is involved in training requirements	1	5	5		1	5	5	Ongoing	PSC / Head of Treasury
30. Administering Authority not advised of an employer closing to new entrants.	o Employer Register is maintained and reviewed regularly by Committee (last reviewed November 2012)	3	2	6	o Continued dialogue with employers to ensure risks are understood and managed	2	2	4	Ongoing	PSC / Pensions Manager

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
31. Maintaining adequate level of experience at officer level.	o Continued staff appraisal and development plan o Effective personnel management and succession planning	1	4	4	o Ensure officers continue to undergo relevant training	1	4	4	Ongoing	Officers
32. Failure to comply with legislation, statutory regulation and formal guidance	o Officers seek guidance and advice from independent sources as appropriate o Advisers will proactively raise issues and keep Officers aware of relevant issues o Officers receive regular training and attend LGPS events	1	4	4		1	4	4	Ongoing	Officers
33. Conflict of interest, both from elected members and officers of Administering Authority	o Officers/Committee seeks guidance and advice from independent sources as appropriate o Officers and members receive regular training and attend LGPS events, at which conflict issues will be raised as appropriate	1	3	3	o New actuarial professional standards coming into effect in 2013 explicitly address conflict of interest issues in the LGPS, and will require a conflict management plan to be drawn up (which Hymans are drafting) o The Pensions Regulator's forthcoming role in the LGPS will include governance and conflict issues, and guidance and training will be forthcoming on these topics	1	3	3	Ongoing	PSC / Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
34. Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements).	o 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 o Deficit contributions are expressed as monetary amounts	1	2	2		1	2	2	Ongoing	Officers
35. Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body and losing the opportunity to call in a debt.	o 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		2	1	2	Ongoing	Officers

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
36. Inappropriate or inadequate delegation arrangements	o Detailed scheme of delegation adopted for Council officers, and reviewed annually o Decisions to delegate specific activities from Committee to Director of Finance agreed and documented at Committee meetings	1	2	2		1	2	2	Ongoing / As Necessary	Officers / PSC
5. **ADMINISTRATION RISKS**										
37. Changes to scheme members (starters, leavers, retirements etc.) are not processed properly.	o Scheme regulations are followed o Pensions team are well trained o Induction of new pensions administrators	2	2	4	o Actuary reviews application of scheme rules	2	2	4	Ongoing	Pensions Manager
38. Employers do not submit accurate or complete data on their members	o Liaison with schools, Children, Schools and Families and out-sourced payroll providers to ensure accurate and timely data is received	4	1	4	o Audit exercise planned to review outsourced school payroll data	4	1	4	Ongoing	Pensions Manager
39. Maintaining adequate level of officer knowledge and skills following switch to shared administration service	o Effective personnel management and succession planning o Induction and knowledge sharing on local issues and requirements for new officers	**1**	3	3		**1**	3	**3**	Ongoing	Pensions Manager

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
40. Systems are not secure and well maintained	o Internal audit of system setup and security o Systems administrator well trained o Data is backed up daily o System is protected from viruses and hacking o System is up to date and latest features of the software are used o Council clients the software provider and ensures issues are raised and addressed in latest releases	1	3	3		1	3	3	Ongoing	Pensions Manager
41. Data and records are not accurate	o Records have correct supporting documentation o Input and output checks are performed o Data matching exercises identify discrepancies (National Fraud Initiative)	2	2	4	o Reconciliations are performed between payroll and pensions systems	1	2	2	Ongoing	Pensions Manager

Risk	Current controls	Likelihood	Impact	Risk factor	Action Plan to Improve and/or additional control measures	Likelihood	Impact	Risk factor	Timescale/ Review Frequency	Responsibility
42. Contributions to the Fund are not received or recorded properly	o Pensions team dedicates appropriate time and resource to managing contributions o Reconciliations are carried out monthly	1	2	2		1	2	2	Monthly	Pensions Manager
43. Incorrect benefits paid	o Pensions team are well trained o Payments have correct supporting documentation o Management check performed on benefit payments before processing	1	2	2		1	2	2	Ongoing	Pensions Manager
44. Audit fail to undertake proper checks	o Audit plan work to get reasonable expectation of detecting control weaknesses	2	1	2		2	1	2	Annually	Pensions Manager

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 2013

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 an Audit and Corporate Governance (Pensions) Sub-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 Sub-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 Audit and Corporate Governance (Pensions) Sub-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 Sub-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 Pensions Sub-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. Hymans Robertson have been 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 estimated on a quarterly basis by based on the Hymans Robertson Navigator system, and reviewed by Hymans Robertson on an annual basis.

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 Audit and Corporate Governance (Pensions) Sub-Committee on a quarterly 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 and Investment Consultant.

Monitoring of the advisors has been improved with the appointment of an Independent Investment Advisor in November 2012, who carries out regular independent analysis of fund managers, and presented a review on all managers to the Sub-Committee in February 2013.

The decisions reached by the Audit and Corporate Governance (Pensions) Sub-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 attend Audit and Corporate Governance (Pensions) Sub-Committee meetings as per an agreed schedule. They are also seen by officers 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 investment 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 Audit and Corporate Governance (Pensions) Sub-Committee. The votes are cast on behalf of the Fund by Manifest in accordance with this policy.

Manifest records the votes cast by the Fund, and issue quarterly statistical reports, which are incorporated into the quarterly Engagement Report received by the Sub-Committee. Manifest also present a report of activity annually to the Sub-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. The Chair of the Pensions Sub-Committee is an executive member of the LAPFF.

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.

Active and Deferred members receive one newsletter per year detailing changes to regulations that affect members and an Annual Benefits Statement.

Pensioner members receive one newsletter per year detailing any information affecting pensions in payment as well as their annual P60 statement.

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 Sub-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.

APPENDIX 4: CAMDEN PENSION FUND 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 Scheme Guide and a range of useful information, forms and links are currently available on the Camden intranet and on the Camden website: www.camden.gov.uk/pensions

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 usually in December.

Website
The 'Camden's Pension Fund' section of the Camden website is continually updated to include new information and currently includes:

- Governance Policy Statement
- Statement of Investment Principles
- Funding Strategy Statement
- Annual Fund report
- Policy statement concerning the use of discretions
- Communications Policy Statement

In 2010 the information contained on the website was expanded to include information for active, deferred, pensioner and Councillor members.

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. A Scheme Guide promoting the Local Government Pension Scheme (LGPS) is sent out with all job offers. The Guide directs prospective scheme members to additional information available on the national LGPS website www.lgps.org.uk

A member of the Pensions team attends weekly induction sessions for new non-school based LB Camden employees in order to answer question about the LGPS and ensure Scheme documentation has been correctly completed by prospective members.

REPRESENTATIVES OF SCHEME MEMBERS

Scheme members' interests in the Fund are represented by the Audit and Corporate Governance (Pensions) Sub-Committee which acts in a trustee capacity. The Sub-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.

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 www.camden.gov.uk/pensions

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, on cassette or in another language on request.