

Public minutes of the Pension Committee Investment Sub-Committee

Date: 25 May 2023

Time: 10:00am-11.35am

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), C Rae (Vice Chair), A Costello and A Sharp; J Walker

Officers: B Barlow, D Cave, M Whitby; S Heywood (via Zoom), M Hudson (via Zoom)

Advisers/Consultant: P Gent (via Zoom) and J Thurgood (Mercer); S Gervaise-Jones

65. Apologies and Declarations of Interest

Apologies were received from Lee Phanco.

John Walker declared a personal interest (i) as a retired member of the Local Government Pension Scheme (LGPS), (ii) his son and daughter-in-law were deferred members of the LGPS.

66. Public minutes of the Pension Fund Investment Sub-Committee held 23rd February 2023

The public minutes of the Committee meeting held 23rd February 2023 were agreed as a correct record.

67. Action Log

The Sub-Committee noted that:

- there was an update on Passive Equity options on the agenda;
- Private Equity review first drawdown expected later this year;
- a date was being scheduled for Members' Property Portfolio Review session in late June.

The Action Log was noted.

68. Petitions and Public Questions

No petitions or public questions were received.

69. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 31st March 2023

The Sub-Committee received a report summarising the performance of the Pension Fund for the quarter to 31st March 2023. The following points were highlighted:

- 2022 had been one of the worst years for investment markets on record, with both equity and bond markets down. The effect of the pandemic had continued to impact on markets, as had the Russia/ Ukraine conflict. 2023 had thankfully started more positively. However, the collapse of Silicon Valley Bank, a US Bank lending to tech companies, had impacted on markets. Fortunately this had been an isolated incident rather than a wider financial contagion. In terms of Fund exposure, there had been some minimal impact on the Blue Bay MAC, with some secondary impact on equity managers due to the impact of the collapse of Silicon Valley Bank on the financial sector;
- In the quarter ending 31 March, most developed market central banks had increased interest rates in an attempt to rein in inflation. The UK inflation rate had fallen slightly, but less than market expectations, and the UK still had the highest level of inflation in developed economies;
- The funding level at 31st March was 152%, reflecting increasing assets and decreasing liabilities;
- As agreed at the last Committee meeting, equity protection would end at 31st May;
- There had been some underperformance by JO Hambro over the quarter, due to them being overweight to US Mid Cap companies. Dodge & Cox had not been exposed directly to Silicon Valley Bank but the impact on the wider financial market had resulted in some underperformance. However, it was noted that Dodge & Cox had exceeded the Value benchmark.

The Chair thanked Mercer for their presentation, and commented that the 152% funding level was very pleasing, albeit primarily driven by the valuation of liabilities.

The Sub-Committee resolved to note the report.

70. Stewardship and Engagement Update

Members considered a report on voting and engagement activities carried out by the Fund's investment managers. The report outlined activity during the six months to 31 December 2022 for assets held within the ACCESS pool, covering approximately 60% of the Fund's assets. It also provided a summary

of investment managers' engagement activity for those assets managed directly by the Fund. There had been no instances where a fund manager has overridden the ACCESS voting policy in the six month period for assets held under pooled governance.

Members noted a summary of voting activity, including votes for and against management, by Dodge & Cox, JO Hambro and Longview, and a summary of other engagements by those managers.

UBS, as a passive manager, did not have to adhere to the guidelines, but they did operate a high quality programme of stewardship and engagement on behalf of the Fund.

The Sub-Committee noted examples of good practice in voting and engagement actions, including lobbying for improvements in sustainability and climate change reporting, and urging those companies not providing net zero targets to do so.

A Member queried the number of Extraordinary General Meetings, and whether these were a cause for concern. Officers agreed to check this information but reassured the Sub-Committee that it was not a cause for concern. **Action required.**

A Member welcomed the examples given of the interactions with companies, which reassured him that this was genuine stewardship and engagement, and not a "box ticking" exercise. The Chair agreed, and commented that these activities covered not just environmental but also social and governance considerations.

It was resolved unanimously to note the report.

71. Exclusion of Press and Public

The Sub-Committee resolved that the press and public be excluded from the meeting for the following items on the grounds that they contained exempt information under Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)) and that it would not be in the public interest for this information to be disclosed as they contained commercially sensitive information.

72. Confidential minutes of the Pension Fund Investment Sub-Committee held 23rd February 2023

The confidential minutes of the Committee meeting held 23rd February 2023 were agreed as a correct record.

73. Analytics for Climate Transition

The Sub-Committee received a report on progress against the decarbonisation targets set and communicated in 2021.

It was unanimously resolved to agree the report recommendations.

74. Climate Aware Passive Equity Investing

The Sub-Committee considered a report on the proposed next steps for implementing the agreed climate aware passive equity portfolio structure.

It was resolved to note the report and presentation from Mercer.

75. Strategic Asset Allocation Update

The Sub-Committee considered an update on the implementation of the new Strategic Asset Allocation.

It was resolved unanimously to note the report.

76. Infrastructure Options

The Sub-Committee considered a report on the options available to the Fund for future investment within its Infrastructure portfolio.

It was resolved unanimously to agree the report recommendations.