

## Pension Committee Investment Sub-Committee

Date: 23 February 2023

Time: 10:00am-11.55am

Place: New Shire Hall, Alconbury Weald

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

Officers: B Barlow, D Cave, R McRobbie and M Whitby

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

External presenters: E Hardcastle, M McLoughlin and M Smith

### 55. Apologies and Declarations of Interest

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.

Lee Phanco declared an interest as Chair of the Board of Trustees and Directors of the Cambridge Sports Hall Trust.

Councillor Whelan declared a personal interest as her wife had recently become a member of the Local Government Pensions Scheme (LGPS).

### 56. Public minutes of the Pension Fund Investment Sub-Committee held 17<sup>th</sup> November 2022

The public minutes of the Committee meeting held 17<sup>th</sup> November 2022 were agreed as a correct record.

### 57. Action Log

The Action Log was noted.

It was noted that the Property Portfolio Review would be progressed outside of Investment Sub-Committee meetings during April – June 2023 once the broader strategy was agreed at the March 2023 Pension Fund Committee meeting.

### 58. Petitions and Public Questions

No petitions or public questions were received.

## 59. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 31<sup>st</sup> December 2022

The Sub-Committee received a report summarising the performance of the Pension Fund for the quarter to 31<sup>st</sup> December 2022. The following points were highlighted:

- 2022 had been a challenging year for markets, with global events such as the invasion of Ukraine, and rising inflation and interest rates;
- Asian markets rallied at the end of the year, as China reversed its draconian Covid restrictions;
- high energy prices in Europe as a result of the Ukraine war had continued to impact across the piece;
- UK gilt market volatility in response to the mini-budget in September. This had actually been positive for the Pension Fund, as liabilities fell, increasing the Fund value in the Quarter. Rishi Sunak becoming Prime Minister had a positive impact on UK markets generally;
- the funding level had increased materially to 143%, with a modest increase in assets over the quarter (£28.6M), coupled with the decrease in liabilities (£153M);
- the returns on the Global Equities mandates were all in line with expectations;
- Property had struggled with both a difficult quarter and year;
- although the Infrastructure results were wide ranging, there were no concerns.

Arising from the presentation:

- in response to a query on the sharp reduction in the value of the Schroders Bond mandate in 2022 (-36.4%), it was confirmed that this resulted from the gilt crisis following the mini-budget, when long term interest rates had spiked, and the value of Index Linked Gilts had fallen. The Schroders Bond mandate was passive, so this was not the fault of Schroders. As Index Linked Gilts were used as a proxy for the Fund's liabilities, the fall in their value had led to the increase in the overall funding level;
- the poor performance of Property mandates in Quarter 4 also reflected the impact of the mini-budget on interest rates and mortgages costs, which had led to unrest in the property markets;
- noting Longview's strong outperformance, Members were reminded that Longview had been appointed due to their Quality bias, but had not strictly followed that Quality style. In the short term this had been positive in terms of returns to the Fund, but there were ongoing concerns about this mandate due to the move away from the Quality style. This manager continued to be

monitored closely, and this apparent shift in style and changes to key personnel was why they were rated as 'B' by Mercer.

The Sub-Committee resolved to note the report.

60. 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.

61. Confidential minutes of the Pension Fund Investment Sub-Committee held 17<sup>th</sup> November 2022

The confidential minutes of the Committee meeting held 17<sup>th</sup> November 2022 were agreed as a correct record.

62. Foresight of East England Fund

The Sub-Committee received a presentation by Foresight on the Local Economic Development Fund. Foresight representatives Matthew McLoughlin, Matthew Smith and Emma Hardcastle joined the meeting and introductions were made.

It was resolved to:

Agree the recommendations as per the report.

63. Private Equity Update

The Sub-Committee considered a report on the progress of the Fund's programme of private equity arrangements.

It was resolved to:

Agree the recommendations as per the report.

64. Climate Aware Passive Equity Investing

The Sub-Committee considered a report on a proposed climate aware passive equity portfolio structure.

It was resolved unanimously to:

Agree the recommendations as per the report.