

Pension Committee Investment Sub-Committee

Date: 13 September 2023

Time: 10:00am-11.20am

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), M Black (Vice Chair); Fenland District Councillor C Boden; L Brennan (via Zoom) and L Phanco

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

Advisers/Consultant: J Crowther, P Gent and C West (Mercer); S Gervaise-Jones

77. Apologies and Declarations of Interest

Apologies were received from Councillor Costello.

Lee Phanco declared an interest as Chair of the Board of Trustees and Directors of the Kelsey Kerridge Sports Centre, one of the Fund's Admitted employers.

78. Public minutes of the Pension Fund Investment Sub-Committee held 25th May 2023

The public minutes of the Committee meeting held 25th May 2023 were agreed as a correct record.

79. Action Log

The Sub-Committee reviewed the Action Log.

The Action Log was noted.

80. Petitions and Public Questions

There were no petitions or public questions were received.

81. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30th June 2023

The Sub-Committee received the public report summarising the performance of the Pension Fund for the quarter to 30th June 2023. Members noted:

- the positive returns for equities had largely been driven by strong performance in the US, specifically tech stocks. Equity performance for the rest of the world was relatively flat;

- the implications of continued tight monetary policy from central banks;
- negative performance from the more defensive bonds.
- that overall, the Fund's liabilities fell, and assets increased, leading to a 165% funded position as at 30th June 2023;
- the Strategic Asset Allocation process was progressing with a number of asset transitions undertaken in the quarter, most significantly to the UBS index-linked gilt portfolio;
- there were positive returns relative to the Fund's liabilities, but those returns were behind the benchmark (1.4% versus 2.9%), the key contributors to this lower figure being Private Equity and JO Hambro.

A Member asked whether there was any protection from exchange rate losses. It was confirmed that at a high level there was some currency hedging through the passive equities mandate, and some elements of currency hedging through other asset classes, covering about a third of the portfolio. Over the last three years, the Dollar had been very strong, and the Fund had benefited from those unhedged assets not being hedged.

Members requested that the information on the degree of hedging be included in future reports, especially given the substantial overseas investment, and the challenge that more should be invested in UK businesses. It was agreed that the Sub-Committee needed to fully understand the risks and benefits of overseas investment.

The Sub-Committee resolved to note the report.

82. 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.

83. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30th June 2023

The Sub-Committee received the private report summarising the performance of the Pension Fund for the quarter to 30th June 2023.

The Sub-Committee resolved to note the report.

84. Confidential minutes of the Pension Fund Investment Sub-Committee held 25th May 2023

The confidential minutes of the Committee meeting held 25th May 2023 were agreed as a correct record.

85. Strategic Asset Allocation Update

The Sub-Committee received an update on the implementation of the new Strategic Asset Allocation, agreed at the Pension Fund Committee in March.

It was unanimously resolved to:

1. note the report and presentation by Mercer;
2. approve the switch of the Schroders government bond assets to UBS pooled index-linked gilts.

86. Climate Aware Passive Equity Implementation Update

The Sub-Committee considered a post transition update on progress with implementing the agreed climate aware passive equity portfolio structure.

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

87. Infrastructure Options

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

It was resolved unanimously to target a 1% allocation to timberland/forestry as an asset class, within the increased infrastructure allocation, with the potential to build over time.