

Local Pension Board Investments Presentation

15 February 2019

19 October Local Pension Board meeting

- **Understand reference made to the Local Authority Universe**
- **Chairman's question as to measures being taken to improve performance.**
- **Are allocations to particular classes still appropriate.**
- **What is the role of asset pooling.**
- **Independent Adviser**

Local Authority Universe [LAU]

Investment Performance 2016-2017

Investment performance data comparing the Cambridgeshire County Council Pension Fund with other local authority funds and indices are shown in the table below.

% Returns per annum for the financial year ended 31 March 2017							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
2016-2017	1 year	24.5	23.7	2.3	2.4	21.4	3 rd
2014-2017	3 years	10.9	12.0	0.9	2.9	11.2	53 rd
2012-2017	5 years	11.0	11.4	1.4	1.9	10.7	29 th
2007-2017	10 years	6.5	7.3	2.3	2.0	7.0	70 th

(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).

Investment Performance 2017-2018

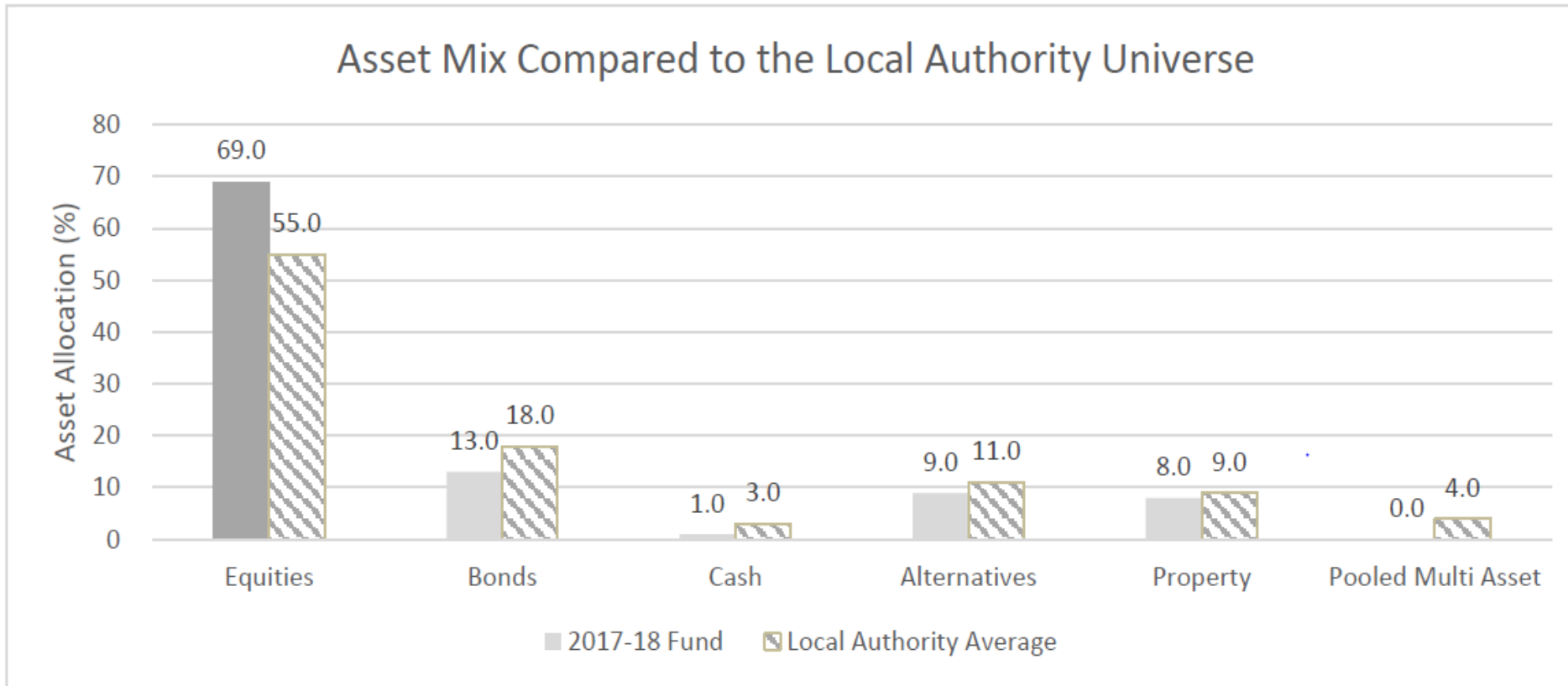
Investment performance data comparing the Cambridgeshire County Council Pension Fund with other local authority funds and indices are shown in the table below.

% Returns per annum for the financial year ended 31 March 2018							
		The Fund	The Benchmark	Consumer Price Index	UK Average Weekly Earnings Index	Local Authority Average	Ranking in LA Universe Percentile
2017-2018	1 year	2.5	3.0	2.5	2.8	4.5	83 rd
2015-2018	3 years	7.8	8.5	1.7	2.3	8.3	46 th
2013-2018	5 years	8.5	9.2	1.4	2.1	8.8	49 th
2008-2018	10 years	7.0	8.1	2.3	1.9	7.7	73 rd

(Sources: Mercers, PIRC Ltd, Thomson Reuters Datastream).
Performance figures are net of fees.

- The Universe provides benchmarking for comparative purposes.
- Performance swings are common, especially with high conviction equity strategies
- Comparison to CPI useful information
- Reports on Fund asset allocations to LAU received annually
- Referenced in Strategic Asset Allocation Review discussions

Local Authority Universe

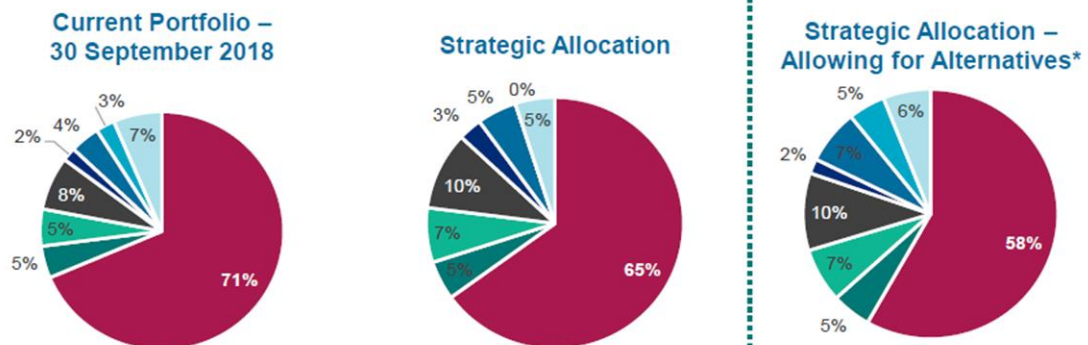


Strategy
Review
informed
by LAU

The graph shows that the Fund has higher than average equity exposure, and this overweight increased over the year as other funds reduced their exposure to this area.

Local Authority Universe

RISK MANAGEMENT FRAMEWORK ASSET ALLOCATION



Asset Class	Current Portfolio – 30 September 2018	Strategic Allocation	Strategic Allocation – Allowing for Alternatives*
Equity	71%	65%	58%
Gilts	5%	5%	5%
Absolute Return FI	5%	7%	7%
Property	8%	10%	10%
Loans	2%	3%	2%
Private Equity	4%	5%	7%
Local Investing	3%	0%	5%
Infrastructure	7%	5%	6%

* Defined by Officers in paragraph 5.7 of Investment Strategy Review paper dated 22 November 2018

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Current strategy review closes the gap as the Fund moves to greater diversification from listed equities.

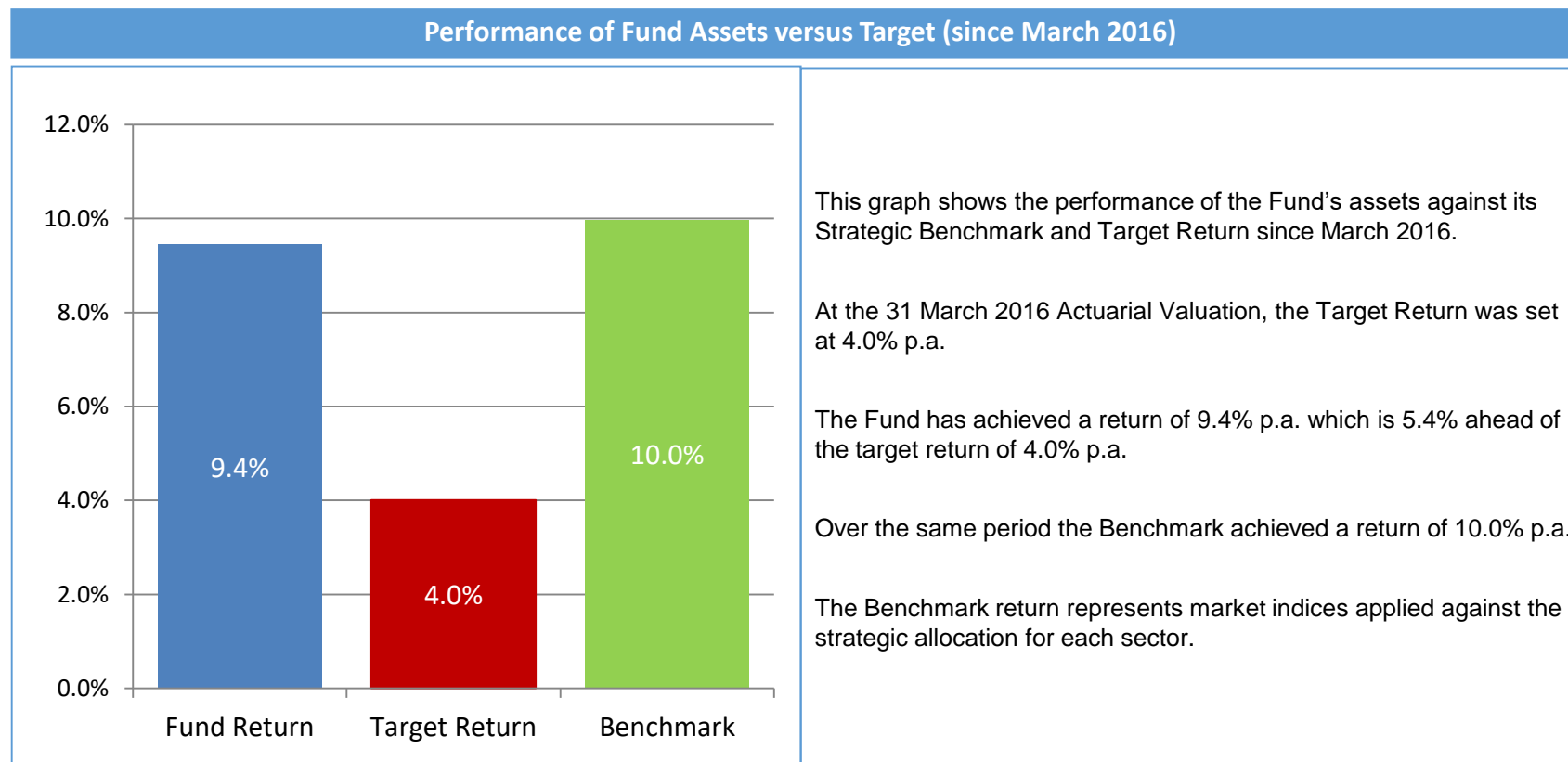
Current Strategic Allocation		Proposed Strategic Allocation
65%	Equities	58%
12%	Fixed Income	12%
10%	Property	10%
13%	Alternatives	20%

Outperforming Investments 😊

Key Focus
To deliver
target
return.

No single
right
answer

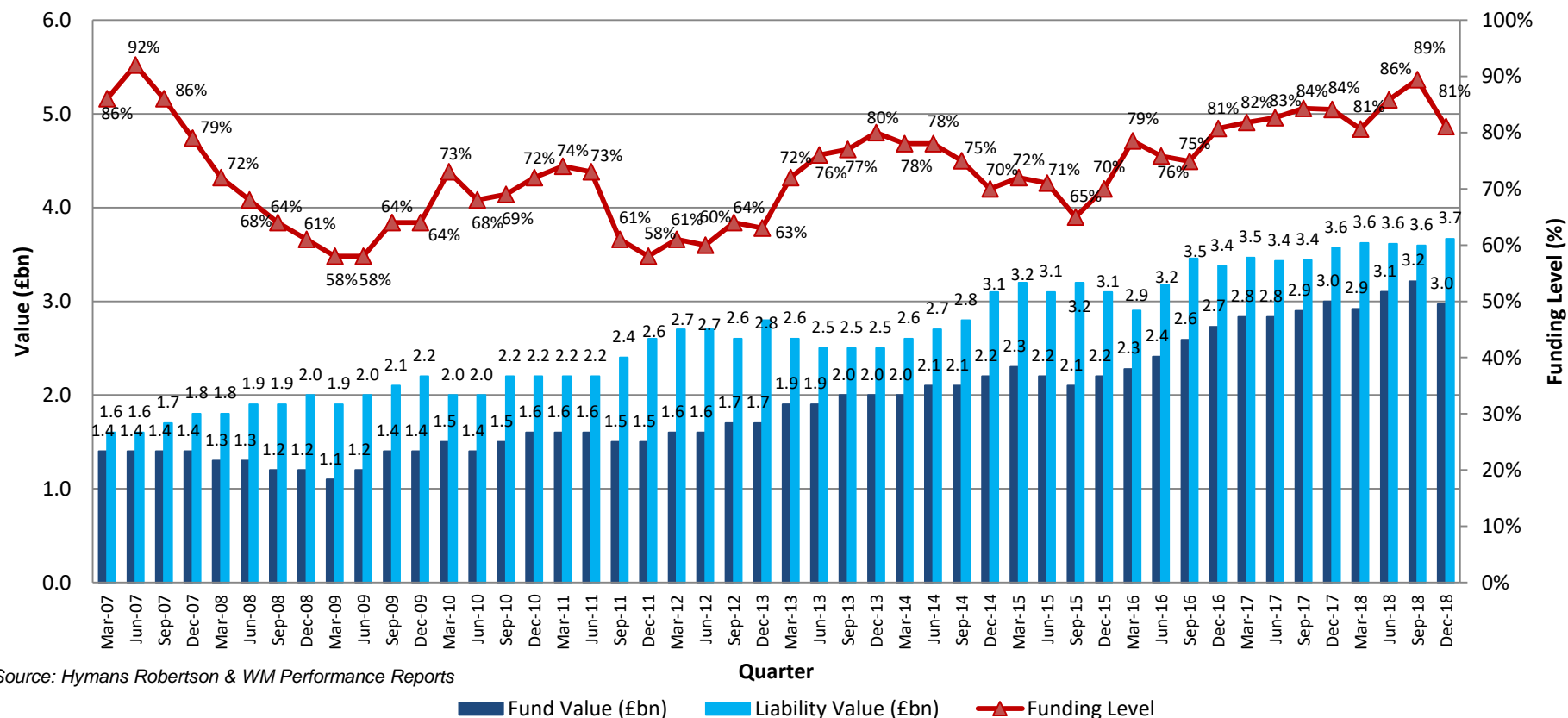
Big picture
focus



Figures shown are based on performance provided by the Investment Managers, Mercer estimates and Thomas Reuters Datastream Performance data to 31 December 2018.

Historic Funding Levels

Funding Level since March 2007 Valuation



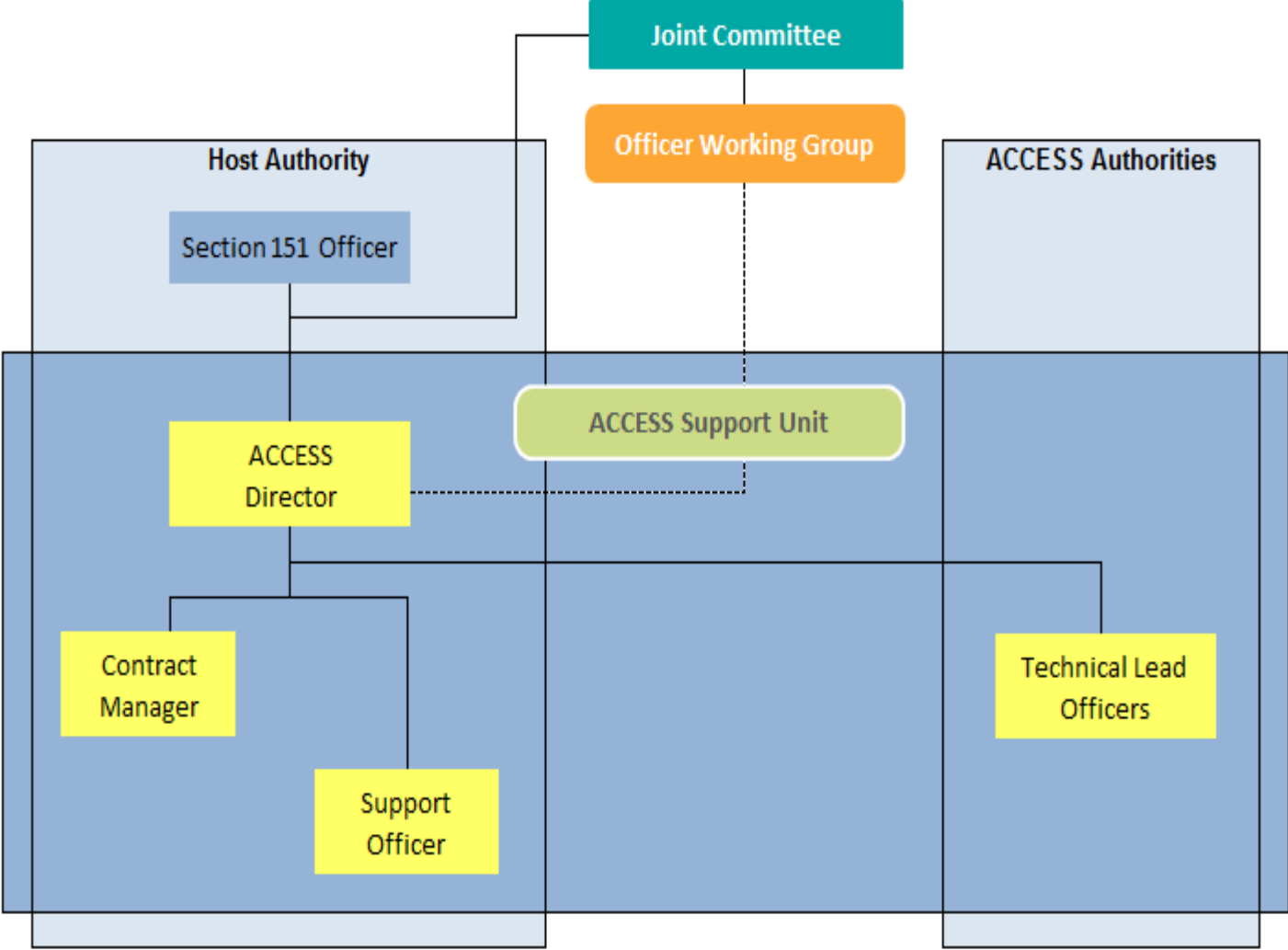
Source: Hymans Robertson & WM Performance Reports

There has been a general trend over the period shown (i.e. from 2007) of falling gilt yields, which has increased the value placed on liabilities. Assets have produced strong returns in general too, but not high enough over a sustained period to keep pace with the rising value of liabilities. There was an increase in funding level at the March 2016 valuation as actual experience was reassessed against assumptions made at the 2013 valuation. Post the 2016 valuation, gilt yields continued to fall, albeit this was reversed in mid-2016 when a rise in yields along with strong asset performance caused a rise in funding level to 81%. The funding level increased steadily over much of 2017 and 2018 due to strong returns, however, a sharp fall in equity markets over the final quarter of 2018 has led to the funding level falling back down to 81%.

Asset Pooling

- A structure composed of an **FCA authorised Collective Investment Vehicle** (the Operator and ACS and other pooled investment vehicles to hold assets).
- A significant shift in governance arrangements with the **Operator responsible for selecting and contracting with managers** on behalf of the authorities participating in the pool.
- Preserving appropriate local decision making (including strategic asset allocation) and building into governance arrangements the critical role of elected members. A Joint Governance Committee established to hold the Operator to account – ensuring **democratic accountability** and exercising authority's **fiduciary responsibilities**.

Access Governance



Open Invitation

- **Local Pension board Members open invitation to attend:**
 - **Pension Committee meetings**
 - **Investment Sub Committee**
 - **Conferences and seminars**
 - **Information Days and other Training events**

Independent Investment Adviser

- **Statutory advice provided by Mercer Ltd**
- **Previous review undertaken in 2014**
- **Pension Committee determined**
 - **– no requirement for an independent adviser**
- **Refresh of current arrangement at Northamptonshire due January 2020**
- **Pension Committee Opportunity to review**

- **Any Questions**