

Pension Fund Committee Investment Sub-Committee: Minutes (Public)

Date: 12 September 2024

Time: 10.00am – 11.55am

Venue: Red Kite Room, New Shire Hall, Alconbury Weald PE28 4YE

Present: Councillors M Black (Vice Chair), C Boden (to 10.47am), A Costello, P McDonald and A Whelan (Chair); L Brennan and H Nelson

Advisers/
Consultants: J Crowther and P Gent (Mercer)

126. Apologies for Absence and Declarations of Interest

There were no apologies for absence or declarations of interest. Councillor Boden offered apologies that he would need to leave the meeting early.

127. Minutes – 23 May 2024 (Public)

The minutes of the meeting held on 23 May 2024 were approved as an accurate record, subject to the correction of the amended recommendation at minute 122: Cambridge and Counties Bank.

128. Minutes Action Log

The minutes action log was noted.

129. Petitions and Public Questions

No petitions or public questions were received.

130. Stewardship and Engagement Update

A correction to exempt Appendix A had been circulated before the meeting. The Chair confirmed that no members wished to discuss the exempt appendix to the report.

During the three month period to 31 March 2024 there had been 285 occasions to vote on each of the ACCESS sub-funds in which the Fund invested. 245 votes had been cast in favour, 37 votes against and 3 no votes or abstentions. Of the 282 votes cast one was subject classified as Environmental, one was classified as Social and 280 were classified as Governance. There were no occasions during this period where fund managers had overridden the ACCESS voting policy for assets held within ACCESS sub-funds. At 31 March 2024, the Fund's ACCESS investment managers had held seven confirmed engagements with companies within the reporting period. One engagement was on an environmental topic, none were on social topics and six related

to governance. A summary of the companies with whom the Local Authority Pension Fund Forum (LAPFF) had engaged between April and June 2024 and the topics covered was included in the report.

In discussion of the report, individual members:

- asked for more information about the vote referenced at section 4.6 to approve political donations, including who this was paid to and the sum involved. Action required
- asked whether it was for ACCESS to say whether the three companies with whom engagement had taken place could not be named in the public domain. They welcomed the engagement which had taken place with Company C, but felt there was a need to be more robust with this company which had been subject to fines for its behaviours towards trades union members in the USA. Quite a lot of work had been done in relation to environmental and sustainability issues, but they were unsure that ACCESS had done as much in relation to workers' rights. They would like to see a proactive approach on this which would enable institutional investors to be a force for good, whilst fully respecting the fiduciary duty to the Fund. The Head of Pensions advised that once an ACCESS Voting & Engagement provider was in place further engagement would take place on matters of importance to ACCESS, and one of those was human rights. The investment and fund accounting manager would review the regulations and processes and report back. Action required
- suggested that it would be useful in future to include some examples of the types of engagement which had taken place and environmental and other factors discussed to enable members to report back to the groups they were representing about how funds were being managed. Action required

The report was noted.

131. Cambridgeshire County Council Pension Fund Quarterly Performance Report: Period ending 30 June 2024

The report by Mercer covered quarterly performance to the end of June 2024. Since then, the markets had generally ticked up over Quarter 2 and liabilities had fallen marginally, linked to long term interest rates. The funding level of 171% at end of June 2024 demonstrated a strong position. There had been a slight under-performance of the Fund over the quarter against the market-related benchmark with some underperformance of global equity managers. Active discussions had been taking place with those managers throughout the year to assess them against ACCESS alternatives. Overall, it had been a fairly quiet quarter in terms of the monetary position.

A member commented that it was always better to have a funding level above 100%, but that they understood that the current figure of 171% funding was substantially higher than other Funds around the country. They did not consider this level to be unacceptable or so high as to indicate something was wrong but felt it would be helpful

to have a strategy to explain this better to the public to avoid misinterpretation. It would also be important for officers to challenge the assumptions underlying the 171% funding figure with actuaries as these assumptions had a substantial impact on the figures produced. Mercer advised that the Fund level was the domain of the scheme actuary, and that the actuary would review this at the actuarial valuation next year. Gilt yields over recent years had brought liabilities down while the value of the assets had increased. The stability of contributions was important to Government and their expectation was that contributions would remain relatively stable, with perhaps a marginal reduction.

Summing up, the Chair described the 171% as an uncertain figure which might better be shared in that context rather than as a headline figure. While long-term gilt rates were being impacted by global events it might be appropriate to look at alternate ways of valuing liabilities rather than having a single indicator to provide greater certainty.

The report was noted.

132. Exclusion of Public and Press

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

The Chair asked that officers and advisers look carefully at the volume of Sub-Committee business being discussed wholly in confidential session. Action required

133. Cambridgeshire County Council Pension Fund Quarterly Performance Report: Period ending 30 June 2024 – Confidential report

The Sub-Committee received a confidential report from Mercer summarising the performance of the Pension Fund for the quarter to 30 June 2024

[Councillor Boden left the meeting at 10.47am]

The report was noted.

134. Investment Current Topics: Quarter 3 2024

The Sub-Committee received a confidential report from Mercer on the investment topics currently stimulating interest across the LGPS sector.

The report was noted.

135. Confidential minutes – 23 May 2024

The confidential minutes of the Sub-Committee meeting on 23 May 2024 were approved as an accurate record and signed by the Chair.

136. Equity Portfolio Review

The Sub-Committee received a confidential update on the current status of the equity portfolio review.

It was resolved unanimously to:

- a) note the update on the review of the Fund's 'Quality' and 'Growth' investment managers.
- b) note the next steps set out in Section 4.

137. Strategic Asset Allocation – Implementation Update

The Sub-Committee received a confidential implementation update on strategic asset allocation.

It was resolved unanimously to:

- a) note the report and the presentation by Mercer.
- b) approve recommendation b).
- c) approve recommendation c).
- d) continue as proposed at recommendation d).
- e) continue as proposed at recommendation e).

The Mercer representatives left the meeting.

138. Investment Consultancy Contract

The Sub-Committee reviewed the investment consultancy contract.

It was resolved unanimously to:

- a) note the report;
- b) agree the contract timescale.

c) request further research.

(Chair)