

## Pension Committee Investment Sub-Committee

Date: 16 November 2023

Time: 10:00am-12.58pm

Place: New Shire Hall, Alconbury Weald

Present: County Councillors A Whelan (Chair), M Black (Vice Chair), A Costello and A Sharp; Fenland District Councillor C Boden;

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

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

Presenters: J Sudre, K McPhail and R Booth (Aviva – item 98 only)

### 88. Apologies and Declarations of Interest

Apologies were received from Lee Phanco and Liz Brennan.

### 89. Public minutes of the Pension Fund Investment Sub-Committee held 13<sup>th</sup> September 2023

The public minutes of the Committee meeting held 13<sup>th</sup> September 2023 were agreed as a correct record.

### 90. Action Log

The Sub-Committee reviewed the Action Log.

The Action Log was noted.

### 91. Petitions and Public Questions

There were no petitions or public questions were received.

### 92. Stewardship and Engagement Update

The Committee considered an update on stewardship and engagement matters relating to the Fund's investments.

The report outlined activity during the six months to 30 June 2023 for assets held within the ACCESS pool. It also provided summaries of investment managers' engagement activity on behalf of ACCESS authorities, and those directly for the Fund, for the same period, and a summary of the Local Authority Pension Fund Forum (LAPFF) engagement and voting activity for the period between April to September 2023. There were no instances where the fund manager has overridden the ACCESS voting policy in the last six months for assets held under pooled governance.

Specific examples of LAPFF engagement were noted, including engagement with BP on its 2030 carbon reduction targets, and British Gas on support given to customers through the Cost of Living crisis.

The Sub-Committee resolved to note the report.

### 93. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30<sup>th</sup> September 2023

The Sub-Committee received the public report summarising the performance of the Pension Fund for the quarter to 30<sup>th</sup> September 2023.

Members noted:

- Fund assets were around £4.3Bn, and liabilities £2.6Bn, meaning the Fund was around 167% funded.
- Equity holdings were considerably overweight against the new reduced strategic target. Fixed income, Bonds, MAC, and Alternatives were all underweight, but this was an interim position as the Fund moved to its new asset allocation;
- Overall performance for Quarter 3 was slightly ahead of benchmark by 0.1%, with the main contributor to this outperformance being Dodge & Cox;
- Markets were relatively benign for the Quarter, with equity returns broadly flat. Growth Fixed Income was positive, and defensive bonds were down due to the rise in Gilt yields. Returns for unhedged Sterling investors were higher due to tailwind created by the strong dollar. There were positive commodity returns for Oil due to supply restrictions by Saudi Arabia and Russia;
- It had been a poor year for UK property and defensive bonds.

A Member noted that the executive dashboard was showing a underperformance of around 4% compared to benchmark. Whist acknowledging that asset allocations were being recalibrated, and that would take time, the Member asked if the actions so far were sufficient to ensure that the Fund was in a better longer term position. Mercer representatives commented that performance was dependent on both individual manager performance and the impact of allocations i.e. being underweight or overweight to a particular asset class. The Performance breakdown removed the allocation impact, so the figures provided essentially reflected overall manager underperformance relative to benchmark. However, some of the benchmarks were imperfect, especially for Alternatives, and the particular issues around Private Equity were noted. Members were reminded that at the last meeting, it was agreed to re-examine the Committee's approach to active versus passive equity investment, and it had been agreed with the Chair to that Members would undertake some more fundamental training in this area. Members were also reminded that the active manager equity review would take place early in 2024.

There was a discussion about the challenges of identifying suitable benchmarks for Alternatives. A Member had concerns about the usefulness of benchmarks generally and suggested that more training would be helpful, so that Members

did not have false assurances or concerns. The Chair agreed that this was an area where it would be beneficial for Members to have greater familiarity, and there may be benefits to simplifying benchmarks and take a more holistic view, and then determining whether individual investments were contributing or detracting from the overall results. Whilst the Fund was currently 167% funded, this was essentially based on a mathematical equation, and the Fund could not afford to be complacent. Mercer commented that Fund's assets had continued to grow and diversify, and remained robust through a challenging period, managing downside risk whilst delivering the growth required.

The Sub-Committee resolved to note the report.

94. 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.

95. Cambridgeshire County Council Pension Fund Quarterly Performance Report for the period ending 30<sup>th</sup> September 2023

The Sub-Committee received the private report summarising the performance of the Pension Fund for the quarter to 30<sup>th</sup> September 2023.

The Sub-Committee resolved to note the report.

96. Confidential minutes of the Pension Fund Investment Sub-Committee held 13<sup>th</sup> September 2023

The confidential minutes of the Committee meeting held 13<sup>th</sup> September 2023 were agreed as a correct record.

97. Analytics for Climate Transition

The Sub-Committee received a report on progress against the Fund's listed equity decarbonisation targets, and plans for incorporating further targets over time.

It was unanimously resolved to approve the report recommendations.

98. Long Lease Property Update

The Sub-Committee considered an update on Long Lease Property.

It was unanimously resolved to approve the report recommendations.

99. M&G Secured Loans

Members received a report on its current allocation to the M&G Secured Loans Fund.

It was unanimously resolved to approve the report recommendations.

100. Cambridge and Counties Bank

The Sub-Committee received a report on Cambridge and Counties Bank (CCB).

It was unanimously resolved to note the report.

*(Sam Gervaise Jones left the meeting)*

100. Independent Advisor Contract

The Sub-Committee considered a report which proposed a two year extension to the current Independent Advisor Contract.

It was resolved unanimously to approve the report recommendations.

Chair